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EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
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ABBREVIATIONS

COUNTRIES

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
JP	Japan
US	United States

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 3	Standard International Trade Classification (revision 3)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

In accordance with Community practice, the EU countries are listed in this Bulletin using the alphabetical order of the country names in the national languages.

EDITORIAL

At its meeting on 8 March 2007, the Governing Council decided to raise the minimum bid rate of the main refinancing operations of the Eurosystem by 25 basis points to 3.75%. It was also decided to increase the interest rates on the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75% respectively. These decisions became effective at the start of the new reserve maintenance period on 14 March 2007.

The Governing Council's decision to raise the key ECB interest rates was taken in view of the upside risks to price stability over the medium term that the Governing Council has identified through both its economic and monetary analyses. The decision will contribute to ensuring that medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards fostering sustainable economic growth and job creation in the euro area. After this increase, given the favourable economic environment, the ECB's monetary policy continues to be on the accommodative side, with the key ECB interest rates moderate, money and credit growth vigorous, and liquidity in the euro area ample by all plausible measures. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted. The Governing Council will monitor very closely all developments so that risks to price stability over the medium term do not materialise.

Turning first to the economic analysis, according to Eurostat's first estimate, the quarter-on-quarter growth rate of real GDP in the euro area for the fourth quarter of 2006 was 0.9%, which was above previous expectations. The Governing Council's current assessment is that the quarterly profile of real GDP growth is likely to be somewhat smoother in response to the impact of indirect tax changes in one large euro area country than had originally been anticipated. The strength of real GDP growth in the fourth quarter is thus indicative of ongoing robust growth in the euro area. Both domestic demand and exports made significant contributions to real GDP growth, confirming the sustained and broad-based nature of the current expansion. The information on economic activity from various confidence surveys and indicator-based estimates supports the assessment that robust economic growth has continued into 2007.

Looking ahead, the medium-term outlook for economic activity remains favourable. The conditions are in place for the euro area economy to grow solidly. As regards the external environment, global economic growth has become more balanced across regions and, while moderating somewhat, remains robust, supported in part by lower oil prices. External conditions thus provide support for euro area exports. Domestic demand in the euro area is also expected to maintain its relatively strong momentum. Investment should remain dynamic, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong corporate earnings, and gains in business efficiency. Consumption should also strengthen further over time, in line with developments in real disposable income, as employment conditions continue to improve.

This outlook is also reflected in the new ECB staff macroeconomic projections. The projections foresee average annual real GDP growth in a range between 2.1% and 2.9% in 2007 and between 1.9% and 2.9% in 2008. In comparison with the December Eurosystem staff projections, the ranges projected for real GDP growth in 2007 and 2008 have been revised upwards, largely reflecting the strength of GDP growth in the second half of 2006 and the lower energy prices, which, if sustained, would have a positive impact on real disposable income.

In the Governing Council's view, the risks surrounding this favourable outlook for economic growth are broadly balanced over the shorter term. At longer horizons, risks lie mainly on the downside. The main risks relate to the possibility of a renewed increase in oil prices, fears of a rise in protectionist pressures and concerns about possible disorderly developments owing to global imbalances.

As regards price developments, according to Eurostat's flash estimate, annual HICP inflation was 1.8% in February 2007, unchanged from January 2007. The fall in headline inflation rates since the summer of 2006 has been predominantly due to lower energy prices. Looking ahead, last year's volatility in energy prices will lead to significant base effects, affecting the profile of annual inflation rates this year. On the basis of the current level of oil prices and oil price futures, annual inflation rates are likely to fall during the spring and summer before rising again towards the end of the year and then most likely hovering again at around 2%.

The new ECB staff macroeconomic projections foresee annual HICP inflation averaging between 1.5% and 2.1% in 2007 and between 1.4% and 2.6% in 2008. Compared with the December 2006 Eurosystem staff projections, the upper bound of the range projected for inflation in 2007 is somewhat lower, largely reflecting the fall in oil prices. By contrast, the projected range for inflation in 2008 is slightly higher, largely on account of the anticipated stronger economic growth, which could exert more intense pressure on factor utilisation and factor costs. In this context, it is necessary to bear in mind the conditional nature of these projections, which are based on a series of technical assumptions, including market expectations for future short and long-term interest rates as well as for oil and non-energy commodity prices.

At the policy-relevant medium-term horizon, the outlook for price developments remains, in the Governing Council's view, subject to upside risks. These relate to the possibility of renewed oil price increases and additional increases in administered prices and indirect taxes beyond those announced and decided thus far. More fundamentally, stronger than currently expected wage developments would pose significant upward risks to price stability, not least in view of the favourable momentum of real GDP growth observed over the past few quarters. It is therefore crucial that the social partners continue to meet their responsibilities. In this context, wage agreements should take into account price competitiveness positions, the still high level of unemployment in many economies, as well as productivity developments. The Governing Council will monitor the upcoming wage negotiations in the euro area countries very carefully.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer horizons. Annual M3 growth was unchanged at 9.8% in January, thus remaining at the highest rate observed since the introduction of the euro.

At 10.6%, the annual growth rate of loans to the private sector also remained strong in January. Strong growth in private sector credit reflects the continuation of the upward trend in the growth of borrowing by non-financial corporations seen since mid-2004. Meanwhile, in the context of rising mortgage rates throughout the euro area and a slowing increase in house prices in some regions, the growth of household borrowing has shown some further signs of moderation in recent months, albeit remaining at still high rates.

Taking the appropriate medium to longer-term perspective for assessing trends in money and credit growth, the latest developments confirm the continuation of a persistent upward trend in the underlying rate of monetary expansion. Following several years of robust monetary growth, the liquidity situation in the euro area is ample by all plausible measures.

The robust expansion of money and credit reflects the accommodative monetary policy stance over a prolonged period of time and the strengthening of economic activity in the euro area. In an environment of ample liquidity, it points to upside risks to price stability over the medium to longer term. Monetary developments therefore continue to require very careful monitoring, particularly against the background of a solid expansion in economic activity and continued strong property market developments in many parts of the euro area.

To sum up, in assessing price trends it is important to look through any short-term volatility in inflation rates. The relevant horizon for monetary policy is the medium term. Risks to the medium-term outlook for price stability remain on the upside, relating in particular to stronger than currently expected wage developments in a context of robust ongoing growth in employment and economic activity. Given the vigorous monetary and credit growth in an environment of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium to longer term. The Governing Council will continue to monitor very closely all developments so that risks to price stability over the medium term do not materialise. This will support the solid anchoring of medium to longer-term inflation expectations in the euro area at levels consistent with price stability. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term remains warranted.

As regards fiscal policy, there is growing confirmation that the favourable cyclical developments led to better than expected budgetary outcomes in 2006 in a number of countries and in the euro area as a whole. However, updated stability programmes foresee only moderate progress with fiscal consolidation in the coming years. In this respect, some countries' consolidation targets appear not fully in line with the requirements of the revised Stability and Growth Pact. Risks stem in particular from a lack of well-specified and credible measures, notably on the expenditure side of budgets.

Given the favourable economic environment, the Governing Council considers it essential that pro-cyclical policies are avoided in all euro area countries and that sufficiently ambitious fiscal consolidation efforts are made in the countries with remaining budgetary imbalances and/or high public debt outstanding. The opportunity should be seized to attain sound public finances within the programme horizons and by 2010 at the latest in all euro area countries. Fiscal consolidation that is part of a medium-term-oriented, credible and expenditure-based reform strategy would support longer-term output and employment growth and help prepare for the fiscal impact of population ageing.

As regards structural reforms, the European Council discussed the current state of, and future progress in, the implementation of the Lisbon strategy at its meeting on 8-9 March. It is positive to see that reforms and moderate increases in labour costs have helped to bring about higher employment and lower unemployment in recent years, although progress has been uneven across EU Member States. The Governing Council encourages action to create incentives and structures which support the integration of all groups into the labour market, including those for which employment rates have been relatively low in the past. Reforms of tax and benefit systems should enhance incentives to work and to create jobs. Reducing labour taxes (including social security contributions) and thereby labour costs would support employment, while setting minimum wages at a level not in line with productivity reduces the employment chances of less skilled workers. The Governing Council fully supports policies to improve education and the adoption of technological innovations in order to raise productivity growth. Coupled with initiatives to create a business-friendly environment, such policies would broaden the opportunities of all to participate in an enhanced growth process.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

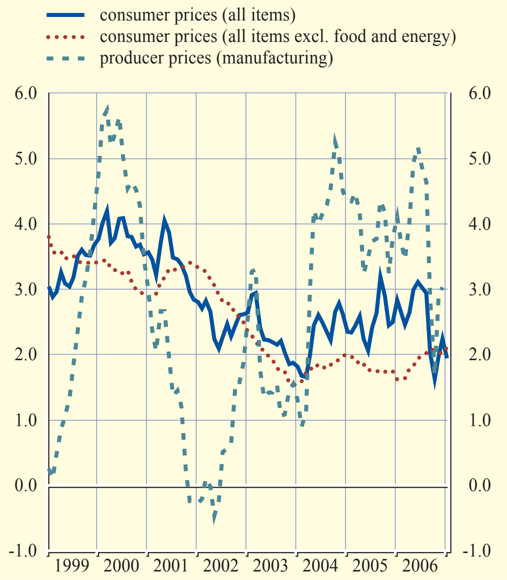
The global economy continues to expand at a robust pace, while global price developments remain strongly influenced by changes in energy prices. Risks to the global outlook relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices and concerns about a disorderly unwinding of global economic imbalances.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Overall, the global economy continues to expand at a robust pace. Survey evidence and available GDP data suggest that the slowdown in global activity observed after the first quarter of 2006 did not extend into the final quarter of 2006 in a number of countries. More recently, the global expansion appears to have become somewhat more balanced across sectors. While activity in the services sector, the main driver of global growth in recent months, appears to have weakened somewhat in February, the global manufacturing sector experienced some rebound, following a period of moderating activity.

Chart 1 Price developments in OECD countries

(annual percentage changes; monthly data)



Source: OECD.

Global price developments remain strongly influenced by changes in energy prices. After increasing at the end of 2006, annual consumer price inflation for the OECD countries decreased again in January, reflecting to a large extent the renewed decline in oil prices. In contrast, annual consumer price inflation excluding food and energy has remained relatively stable in recent months.

UNITED STATES

According to the official business cycle dating of the National Bureau of Economic Research, the US economy has now concluded its fifth consecutive year of expansion. In 2006 as a whole, real GDP growth was 3.3%. The quarterly profile of growth in 2006 was characterised by an exceptionally strong rise in real GDP in the first quarter of the year (5.6% on an annualised quarterly basis), followed by a sharp moderation in growth during the following three quarters (2.6%, 2.0% and 2.2%, respectively). This pattern seems to indicate that, after several years of rapid expansion, the US economy has now moved towards a regime of more moderate growth.

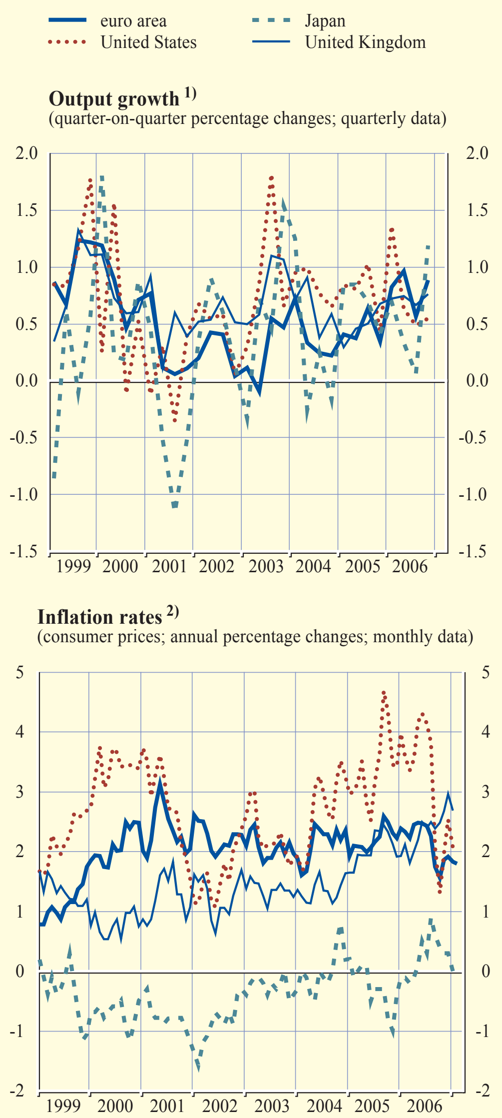
The current moderation in US economic growth reflects adverse developments in the housing market, which resulted in a severe contraction in residential investment for most of 2006. The dampening effect on economic activity of the slowdown in the construction sector has been mitigated to some extent by the resilience of private consumer spending, which partly reflects favourable employment and income conditions, and by strong business investment activity.

As regards price developments, in recent quarters annual headline consumer price inflation has significantly declined from the levels above 4% recorded in mid-2006, mainly reflecting lower energy prices (see Chart 2). Meanwhile, annual consumer price inflation excluding food and energy has moderated only gradually. In January 2007 it stood at 2.7%, suggesting that inflationary pressures are abating slowly.

Looking ahead, the outlook for the US economy is of continuing expansion – though at a more moderate pace than in the past few years – and of gradually declining inflationary pressures. This benign outlook is reflected in the range of projections by the members of the US Federal Open Market Committee, as presented in the February 2007 Monetary Policy Report to Congress. According to the central tendency of these projections, real GDP growth is expected to average between 2½% and 3% in 2007 and between 2¾% and 3% in 2008. Annual "core" inflation (as measured by the annual rate of change in the deflator of personal consumption expenditures excluding food and energy) is projected to be between 2% and 2¼% in 2007 and between 1¾% and 2% in 2008.

On 31 January 2007, the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%, a rate prevailing since June 2006.

Chart 2 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.
2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

JAPAN

In Japan, economic activity has continued to recover steadily, while inflation has remained subdued. Output is being driven by strong exports and steady domestic demand, the latter being supported especially by business investment in recent quarters. In the fourth quarter of 2006, according to initial preliminary data released by the Cabinet Office, real GDP growth rebounded significantly, standing at 1.2% on a quarterly basis after 0.1% in the previous quarter. Real GDP growth benefited from the continuing strength of private non-residential investment and net exports, as well as from the rebound in private consumption, which increased by 1.1% on a quarterly basis after declining by 1.1% in the previous quarter.

As regards price developments, consumer price inflation has remained subdued. In January 2007, both the overall annual CPI inflation and the annual CPI inflation excluding fresh food were nil, after standing at 0.3% and 0.1% respectively in the previous month. Therefore annual CPI inflation continued to decline, reflecting to a large extent the fall in oil prices. Annual producer price inflation also continued to drop, declining to 2.2% in January from 2.5% in the previous month.

Looking ahead, the outlook for the Japanese economy remains favourable. Economic activity is expected to continue to expand, driven by steady domestic demand and by the continuous strength of exports against a backdrop of favourable competitiveness conditions.

At its meeting on 20-21 February, the Bank of Japan decided to raise its target for the uncollateralised overnight call rate by 25 basis points, bringing it to 0.5%. This decision is the second change in its target for the uncollateralised overnight call rate since the end of the quantitative easing policy in March 2006.

UNITED KINGDOM

Economic growth in the United Kingdom has been strong and stable over the past few quarters, with a quarterly rate of GDP growth at or above the long-term average of 0.7%. In the fourth quarter of 2006, real GDP grew by 0.8% on a quarterly basis, slightly above the rate observed in the previous four quarters. Output growth was driven by domestic demand as both private consumption and gross fixed investment increased significantly compared with the previous quarter. In 2006 as a whole, real GDP increased by 2.7%. Growth momentum is expected to be broadly sustained in the near term, with surveys pointing to continued strong investment intentions, but slightly weaker exports.

In recent months, HICP inflation has been on the rise, reaching a ten-year record high of 3.0% in December 2006. In January 2007, it dropped to 2.7%. The inflation trend has been driven to a large extent by transport, energy and food prices, although core inflation has also picked up. In the second half of 2006, growth in average earnings excluding bonuses remained stable and moderate by historical standards. In 2007, HICP inflation is expected to gradually return to the inflation target of 2%. The recently announced cuts in gas and electricity prices by British Gas (as of March) may contribute to a decline in headline inflation in the near term.

On 8 March 2007 the Bank of England's Monetary Policy Committee decided to leave the official Bank Rate paid on commercial bank reserves unchanged at 5.25%.

OTHER EUROPEAN COUNTRIES

In most other EU countries outside the euro area, output growth has remained robust over the last few quarters. Growth has mainly been driven by domestic demand. In most countries, annual HICP inflation has recently been either stable or increasing.

In Denmark and Sweden the quarterly rate of real GDP growth has declined in recent quarters. In both countries, economic activity has been driven by domestic demand (and, in the case of Sweden, also by external demand). Looking ahead, activity indicators suggest that growth is likely to remain stable in both countries. HICP inflation has been stable in recent months, standing in January 2007 at 1.8% in Denmark and at 1.6% in Sweden. In both countries HICP inflation is expected to remain unchanged or to decrease slightly in the months ahead.

In the four largest central and eastern European economies (the Czech Republic, Hungary, Poland and Romania), quarterly output growth has remained robust over the last few quarters. In the Czech Republic, Poland and Romania real GDP growth has been driven by domestic demand, while in Hungary it has mainly been driven by net exports. Activity indicators suggest that growth will remain strong in the Czech Republic, Poland and Romania, while it is expected to decline markedly in Hungary as a result of the impact of the ongoing fiscal stabilisation of domestic demand. Annual HICP inflation has followed a broadly upward trend in recent months in the Czech Republic, Hungary and Poland, standing at 1.4%, 8.4% and 1.7% respectively in January 2007. These developments were mainly related to an increase in inflation excluding energy in general, and in particular as a result of increases in administered prices. In Romania, by contrast, inflation has continued to decline in recent months, standing at 4.1% in January 2007.

In the smaller non-euro area EU countries, real GDP growth has been strong over the last few quarters, especially in the Baltic States, Slovakia and Bulgaria. It has mainly been supported by strong domestic demand, underpinned by fast credit and disposable income growth. Activity indicators suggest continued strong growth dynamics in most countries. Inflation has been picking up in recent months, especially in the fastest growing economies.

In Russia, the release of GDP figures for the fourth quarter of 2006 has confirmed that growth has remained robust (at 6.7%) on the back of strong domestic demand. While consumer price inflation has declined somewhat due to some nominal appreciation of the rouble, reaching 8.2% year on year in January, a loosening of fiscal policy may contribute to renewed price pressures in 2007.

EMERGING ASIA

In emerging Asia, economic activity continued to expand at a relatively rapid pace in the last quarter of 2006. Overall in 2006, growth was on average stronger than in 2005, although a mild moderation was visible in the second half of the year in some large economies. Inflationary pressures remained broadly contained, although inflation increased somewhat in India.

In China, the pace of expansion of economic activity remained vigorous in recent months, to reach 10.4% year on year in the last quarter of 2006. Overall, real GDP grew by 10.7% in 2006. Domestic demand growth was broadly steady in the second half of the year, with weaker investment partly offset by stronger private consumption, whereas the contribution of the external sector to growth increased further. The trade surplus further increased in 2006 to reach a new all-time high. Annual consumer price inflation declined to 2.2% in January 2007 from 2.8% in December. At the beginning of February 2007, the People’s Bank of China raised the reserve requirement ratio on deposit-taking financial institutions by 50 basis points to 10%, citing robust growth in banks’ loans. This was the fifth increase since July 2006. Following very strong growth in 2006, the Chinese stock market experienced marked volatility towards the end of February and in early March.

In Korea, economic growth continued to moderate in the fourth quarter of 2006, with GDP expanding at an annual rate of 4%, compared with 5.3% in the first half of the year. The slowdown was driven mainly by a decline in both consumption and export growth. For 2006 as a whole, CPI inflation was 2.2%, down from 2.8% in 2005.

Looking ahead, economic prospects remain favourable for emerging Asia. After a very strong performance in 2006, growth is expected to moderate slightly in 2007, partly reflecting a further moderate slowdown in investment in China and some decline in export growth in certain economies.

LATIN AMERICA

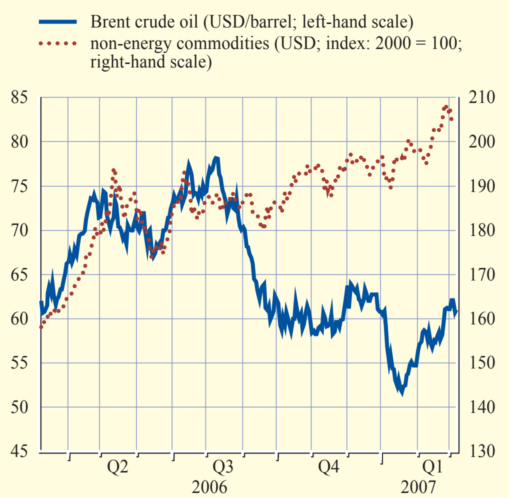
In Latin America, economic activity continues to expand at a solid pace, though growth performances across major economies still exhibit some degree of asymmetry. In Brazil, real GDP grew by 3.8% in the fourth quarter of 2006 and activity is expected to accelerate in 2007. In Mexico and Argentina, preliminary indicators suggest that economic activity is moderating, albeit to still robust levels, in line with the ongoing trend since the second half of 2006. Preliminary figures for Mexican headline GDP during the fourth quarter of 2006 point to a 4.3% expansion on a year earlier, down from 4.5% in the previous quarter. In Argentina, indicators for early 2007 point to an incipient slowdown in economic activity, with industrial production edging down to 6.1% on a year earlier in January, from 9% in December.

The outlook for Latin America as a whole continues to be favourable, with domestic demand expected to remain the engine of growth in major economies. Inflationary pressures are projected to remain contained in most cases (except Argentina). This favourable outlook should also be underpinned by a benign external environment, including supportive financing conditions and continued historically high commodity prices.

1.2 COMMODITY MARKETS

After a sharp fall at the beginning of the year, oil prices rebounded towards the end of January and in early February, following persistent cold weather in the northern hemisphere and higher implied demand. Lower OPEC supply – as OPEC began implementing its second announced supply cut – and increased geopolitical concerns also added upward pressure to prices. Despite some easing in mid-February, prices picked up towards the end of the month, with Brent crude oil prices standing at USD 61.0 per barrel on 7 March (slightly above the levels prevailing at the beginning of the year). The International Energy Agency's latest assessment of oil market conditions points to a further tightening of the supply-demand balance, as it has revised upwards its projections for global oil demand growth in 2007, while non-OPEC supply forecasts remain short of earlier expectations. This should in turn imply an increase in demand for OPEC oil, in a context of lower OPEC supply. Looking ahead, given expected robust demand and continued limited spare capacity, oil prices are likely to remain both high and sensitive to unanticipated changes in the supply-demand balance and the geopolitical environment. Against this background, market participants expect oil prices to remain at elevated levels also in the medium term, with the December 2009 oil futures contract currently trading at around USD 67.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

Prices of non-energy commodities rose throughout most of February, supported by increases in the prices of industrial raw materials and food. The aggregate price index for non-energy commodities (denominated in US dollars) reached a new peak towards the end of the month and was approximately 25% higher than a year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and therefore for foreign demand for euro area goods and services, remains favourable. In the last quarter of 2006, the six-month rate of change in the OECD composite leading indicator recovered from some of the decline experienced earlier in the year. Similarly, the composite leading indicators of some large emerging market economies have improved recently, suggesting that the moderation in global growth observed in the course of 2006 is likely to remain, overall, relatively limited.

Risks to the global outlook relate to fears of a rise in protectionist pressures, the possibility of a renewed increase in oil prices and concerns about a disorderly unwinding of global economic imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

During the fourth quarter of 2006 annual M3 growth increased further, remaining in January 2007 at the high level observed in December 2006. The current strength of monetary growth, which is supported by a vigorous demand for loans by all sectors, has added further to the already ample liquidity conditions in the euro area. Recent monetary data provide little sign of a halt in the upward trend of the underlying rate of monetary expansion observed since mid-2004, still less of a reversal. At the same time, the latest data underpin the view that recent rises in key ECB interest rates are influencing monetary developments, albeit mainly in the form of substitution of the more liquid components of M3, such as overnight deposits, by less liquid but more highly remunerated components. Overall, robust monetary and credit growth in a context of ample liquidity continue to point to upside risks to price stability at medium to longer-term horizons, particularly in an environment of improved economic sentiment and activity.

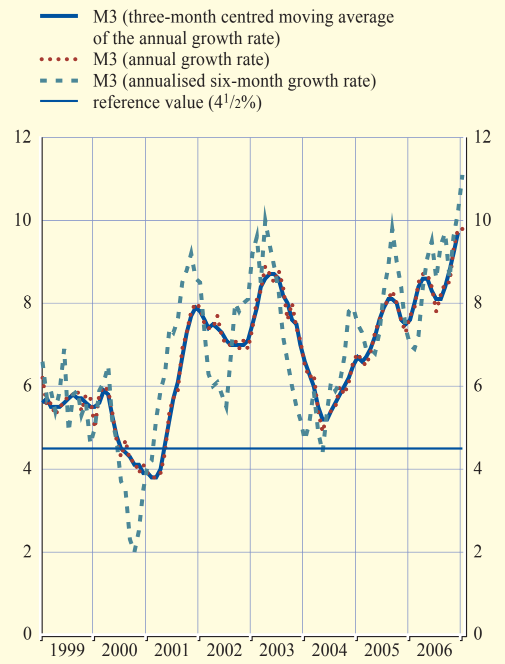
THE BROAD MONETARY AGGREGATE M3

In the fourth quarter of 2006 annual M3 growth was 9.0%, a rate last observed in the second quarter of 1990 (based on synthetic euro area data). This quarterly figure conceals a strengthening over the course of the quarter, with annual M3 growth increasing to 9.8% in December, from 9.3% and 8.5% in November and October respectively. In January 2007 the annual growth rate remained unchanged at 9.8%. The strength of M3 growth is also visible in its shorter-term dynamics, as measured, for example, by the six-month annualised growth rate of M3 which rose to 11.1% in January (see Chart 4).

The latest monetary data support the view that the high rate of annual M3 growth stems from the low level of interest rates in the euro area, and, as visible in the continuous robust loan growth, the strength of economic activity. Notwithstanding some end-of-year effects in November and December which temporarily boosted the demand for overnight deposits, monetary data for the fourth quarter as a whole provide additional evidence that the interest rate increases since the end of 2005 have been influencing monetary developments, albeit mainly in the form of substitution effects within M3. On the liabilities side of the MFI balance sheet, this is at present mainly reflected in a moderation of the growth of the most liquid components of M3, rather than a slower expansion of M3 itself. M3 dynamics are currently being supported by a relatively strong speculative demand for money, which is manifesting itself in the strong growth of marketable instruments contained in M3. On the assets side of the MFI balance sheet, the impact of the interest rate increases is mostly visible in a moderation of the growth of

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

household borrowing, although this remains robust.

Given that the latest indications of an unwinding of portfolio shifts date back to the second half of 2005, the official M3 series and the M3 series corrected for the estimated impact of portfolio shifts have followed a similar pattern over the course of 2006 (see Chart 5).

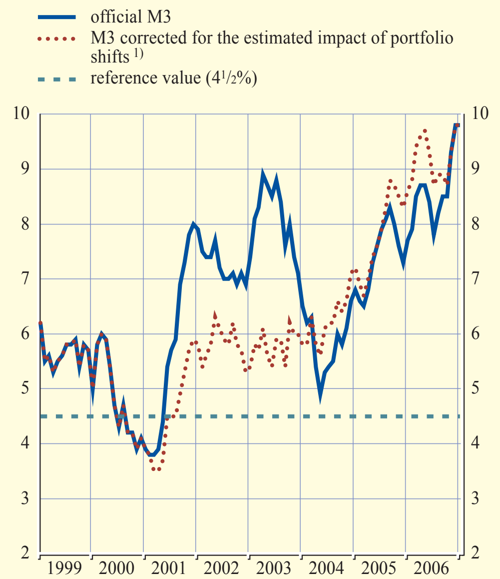
MAIN COMPONENTS OF M3

From a quarterly average perspective, since the spring of 2006 the annual rate of growth of M1 has moderated. In January 2007 it stood at 6.5%, after 6.7% and 7.6% in the fourth and third quarters of 2006 respectively (see Table 1).

With regard to developments in the components of M1, the annual growth rate of currency in circulation declined to 10.4% in January 2007, from 11.1% in the fourth quarter and 11.3% in the third quarter of 2006. Annual growth in overnight deposits decreased to 5.8% in January, from 5.9% in the fourth quarter and 7.0% in the third quarter.

Chart 5 M3 and M3 corrected for the estimated impact of portfolio shifts

(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.
1) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

Table 1 Summary table of monetary variables

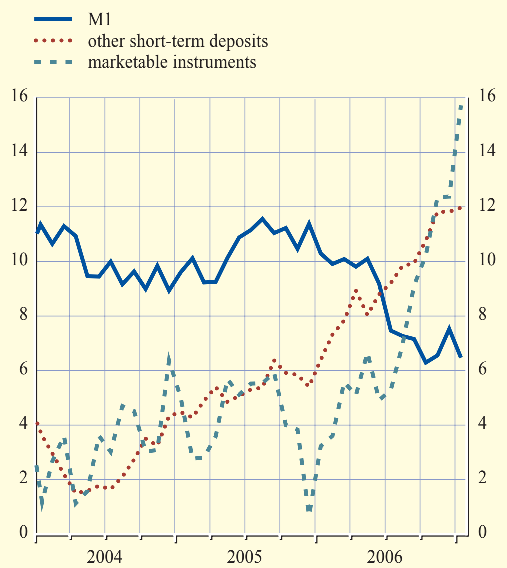
(quarterly figures are averages; adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of M3 1)	Annual growth rates					
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2006 Dec.	2007 Jan.
M1	**47.1**	**10.3**	**9.8**	**7.6**	**6.7**	**7.5**	**6.5**
Currency in circulation	7.5	13.4	11.9	11.3	11.1	11.1	10.4
Overnight deposits	39.7	9.8	9.5	7.0	5.9	6.9	5.8
M2 - M1 (= other short-term deposits)	38.4	6.8	8.4	9.5	11.2	11.8	12.0
Deposits with an agreed maturity of up to two years	18.6	9.7	15.2	19.8	25.3	27.3	29.2
Deposits redeemable at notice of up to three months	19.8	4.6	3.7	2.4	1.2	0.7	-0.4
M2	**85.5**	**8.6**	**9.1**	**8.4**	**8.7**	**9.4**	**8.9**
M3 - M2 (= marketable instruments)	14.5	3.3	5.7	6.4	11.1	12.4	15.7
M3	**100.0**	**7.8**	**8.6**	**8.1**	**9.0**	**9.8**	**9.8**
Credit to euro area residents		**8.8**	**9.5**	**9.3**	**8.8**	**8.2**	**8.0**
Credit to general government		2.4	1.0	-0.9	-3.1	-4.8	-5.0
Loans to general government		0.8	0.3	-0.6	-0.3	-1.7	-1.6
Credit to the private sector		10.5	11.8	11.9	11.9	11.5	11.3
Loans to the private sector		10.1	11.2	11.2	11.2	10.7	10.6
Longer-term financial liabilities (excluding capital and reserves)		**8.7**	**8.8**	**8.6**	**9.1**	**9.8**	**9.8**

Source: ECB.
1) As at the end of the last month available. Figures may not add up due to rounding.

Chart 6 Main components of M3

(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Annual growth in short-term deposits other than overnight deposits has strengthened over recent months, reaching 12.0% in January 2007, after 11.2% in the fourth quarter and 9.5% in the third quarter (see Chart 6). This development reflects continued strong increases in short-term time deposits (i.e. deposits with an agreed maturity of up to two years), which grew by 29.2% in January on an annual basis, by far the highest growth rate of this component of M3 since the start of Stage Three of EMU. By contrast, the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months) continued to moderate over recent months.

The widening gap between the remuneration of time and overnight deposits – with the remuneration of time deposits following money market rates quite closely, while that of overnight deposits has responded more modestly – may, at least in part, explain the recent diverging dynamics of these components of M3. It appears to have prompted substitution of overnight deposits by time deposits, thereby reducing M1 growth but doing little to constrain overall M3 growth. In parallel, the spread between the remuneration of time deposits and that of savings deposits has increased since the fourth quarter of 2005, promoting shifts between these types of deposits.

In January 2007 the strongest inflow into marketable instruments since the start of Stage Three of EMU was observed. The annual rate of growth of marketable instruments rose strongly to 15.7% in January 2007, from 11.1% in the fourth quarter and 6.4% in the third quarter of 2006. This reflects a pick-up in all of its sub-components.

The demand for debt securities with a maturity of up to two years grew at the very strong rate of 58.7% on an annual basis in January 2007, after 51.2% and 36.9% in the fourth quarter and the third quarter of 2006 respectively. The elevated growth rates of this sub-component may be linked to recent increases in short-term interest rates and to financial innovation. Given that short-term debt securities are often remunerated at variable rates, an investment in these instruments allows investors to benefit from rises in interest rates materialising before the maturity of the security. Thus, in the current environment, a speculative demand for money appears to have supported M3 growth. Similar arguments might hold for those money market funds that, by using derivative products, invest in instruments with credit risk (such as asset-backed securities). Such funds might be an attractive investment in a period when the yield curve is relatively flat. This might partly explain the strengthening demand for money market fund shares/units in recent quarters. In January 2007 the annual rate of growth of money market fund shares/units increased to 8.0%, after 3.4% and -0.6% in the fourth quarter and the third quarter, respectively. The annual growth rate of repurchase agreements, which often displays a particularly volatile pattern over shorter horizons, increased to 10.1% in January, after 9.7% in the fourth quarter and 5.8% in the third quarter of 2006.

An analysis of the sectoral breakdown of monetary growth relies on data for short-term deposits and repurchase agreements (hereafter referred to as M3 deposits), the M3 components for which sectoral information is available. In aggregate, the annual rate of growth of M3 deposits declined in January, since, as described above, money holdings shifted from such deposits into marketable instruments other than repurchase agreements. The decline in aggregate M3 deposit growth reflected a decline in the annual growth rate of M3 deposits held by non-monetary financial institutions other than insurance corporations and pension funds (OFIs) (to 19.8% in January, from 20.9% in December) and by non-financial corporations (to 10.6% in January, from 12.1% in the previous month). The annual growth rate of household deposits decreased slightly to 6.0% in January, from 6.2% in December. The decline in M3 deposit growth reflected an outflow of funds that were accumulated in November and December 2006 due to pronounced end-of-year effects. Overall, in the fourth quarter, while the OFI sector remained the most dynamic sector in terms of the growth rate of M3 deposits, the household sector continued to contribute by far the biggest share to the still strong overall rate of growth.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total MFI credit to euro area residents decreased to 8.0% in January 2007, after 8.8% and 9.3% in the fourth and third quarters of 2006. This decrease resulted from a continued decline in the annual growth rate of credit to general government, while growth in credit to the private sector – notwithstanding a slight decline in December 2006 and January 2007 – remained elevated over recent quarters (see Table 1).

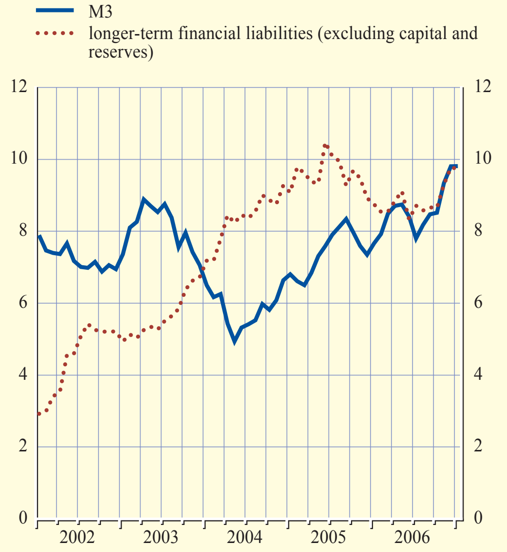
More precisely, the annual rate of decline of credit to the general government sector increased to 5.0% in January, from 3.1% in the fourth quarter of 2006 and 0.9% in the third quarter, reflecting, in particular, stronger net sales of government-issued securities. At the same time, the annual growth rate of credit to the private sector fell to 11.3% in January, from 11.9% in both the fourth and third quarters of 2006, but nonetheless remained at elevated levels. These strong growth rates reflected inter alia the acquisition of debt securities issued by the private sector. MFI loans remained the main contributor to the strong growth of credit to the private sector, with annual growth of 10.6% in January (after 11.3% in the fourth and third quarters of 2006). While the annual growth rate of lending to households continued to moderate, although remaining at robust rates, the growth of loans to non-financial corporations remained on an upward trend over the reference period (see Sub-sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector have remained robust over the past few months (see Chart 7). The annual rate of growth of these instruments increased to 9.8% in January, from 9.1% in the fourth quarter and 8.6% in the third quarter of 2006.

The annual flow in the net external asset position of MFIs was €181 billion in January 2007, after €195 billion in December 2006. Following a substantial rise in November and December 2006, the annual flow in the net external asset position of MFIs decreased somewhat in January 2007. This decrease might reflect a moderate reversal of temporary positions that had been built up at the end of 2006, although the reversal is relatively small compared with the substantial capital inflows observed at the end of last year (see Chart 8).

Chart 7 M3 and MFI longer-term financial liabilities (excluding capital and reserves)

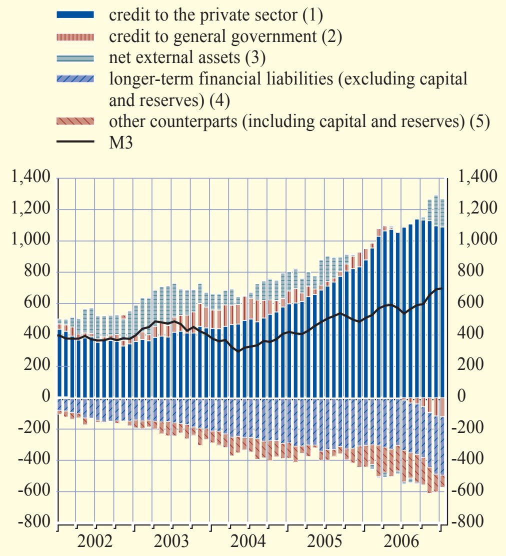
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 8 Counterparts of M3

(annual flows; EUR billions; adjusted for seasonal and calendar effects)



Source: ECB.
Notes: M3 is shown for reference only (M3 = 1+2+3-4+5). Longer-term financial liabilities (excluding capital and reserves) are shown with an inverted sign, since they are liabilities of the MFI sector.

In conclusion, money and credit growth have remained strong, mainly driven by the still low level of interest rates in the euro area and the strengthening of economic activity. Credit continued to be the main contributor to strong M3 growth, more than offsetting the dampening impact associated with the robust demand for longer-term financial liabilities. The strong annual flows in the net external asset position of MFIs, mainly driven by large monetary inflows from abroad in November and December 2006, implied a considerable external contribution to annual M3 growth between November 2006 and January 2007.

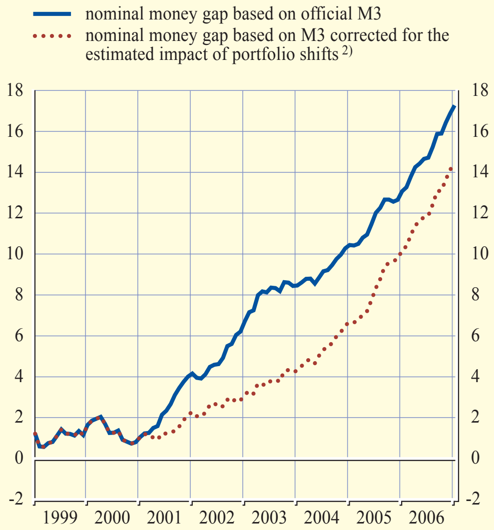
GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

The strong dynamics of M3 at the end of 2006 and in January 2007 have led to a further accumulation of liquidity. As there was no sign of a further unwinding of past portfolio shifts following the temporary resumption in the fourth quarter of 2005, the two money gap measures continued to move in parallel also in the fourth quarter of 2006. The two gaps remained at very different levels, with the money gap constructed on the basis of the corrected M3 series being substantially lower (see Chart 9).

The real money gaps take into account that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations of inflation from the ECB's definition of price stability. The real money gaps constructed on the basis of the official M3 series and of the measure of M3 corrected for the estimated impact of portfolio shifts are both lower than the respective nominal money gap measures (see Charts 9 and 10).

Chart 9 Estimates of the nominal money gap[1)]

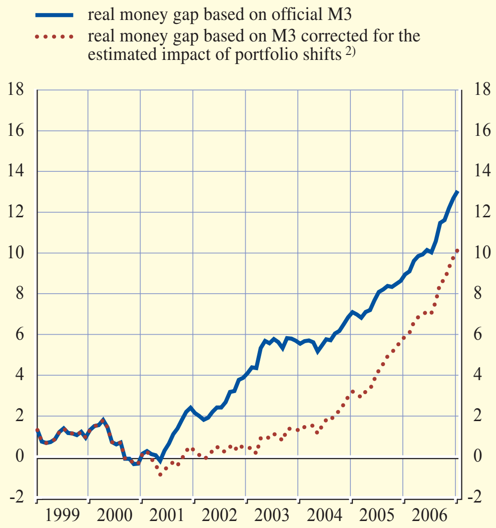
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.
1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

Chart 10 Estimates of the real money gap[1)]

(as a percentage of the stock of real M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.
1) The measure of the real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

These mechanical measures are only imperfect estimates of the liquidity situation and should thus be treated with caution. This uncertainty is for example illustrated by the broad range of estimates derived from the four measures presented above. Nonetheless, the overall picture painted by these measures and, in particular, that derived by a broad monetary analysis geared towards identifying the underlying growth of M3, points to liquidity conditions in the euro area being ample. Strong monetary and credit growth in a context of ample liquidity imply upside risks to price stability over the medium to longer term, particularly in an environment of improved economic activity.

2.2 FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR AND INSTITUTIONAL INVESTORS

In the third quarter of 2006 the annual growth rate of financial investment by the non-financial sector increased slightly, reflecting higher growth rates of both short and long-term financial investment. The recent data on institutional investors confirm that insurance corporations and pension funds are the main investors in mutual funds, while the non-financial private sector in turn continued to increase its holdings of insurance and pension products.

NON-FINANCIAL SECTOR

In the third quarter of 2006 (the most recent quarter for which the quarterly financial accounts data are available), the annual growth rate of total financial investment by the non-financial sector in the euro area increased somewhat to 5.1%, from 4.8% in the second quarter of 2006 (see Table 2). This increase mainly reflects higher annual growth rates of short-term financial investment. The gap between the growth rate of short-term financial investment and that of long-term financial investment widened further, reaching its highest level since the second quarter of 2003, which marked the end of the period of heightened financial uncertainty that had led to an exceptional preference for liquidity and high growth rates of short-term investment (see Chart 11).

The marginal increase in the annual growth rate of long-term financial investment to 3.8% in the third quarter of 2006, from 3.6% in the second quarter, masks divergent developments across instruments. The disinvestment from mutual fund shares (excluding money market fund shares/units) and the marginally lower growth of investment in insurance and pension products (as reflected in the net equity of households in life insurance reserves and pension fund reserves) was more than offset by the stronger growth of investment in long-term debt securities and the

Table 2 Financial investment of the euro area non-financial sector

	Outstanding amount as a percentage of financial assets[1]	Annual growth rates									
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
Financial investment	**100**	**4.8**	**4.8**	**4.8**	**4.8**	**4.6**	**4.5**	**5.1**	**4.9**	**4.8**	**5.1**
Currency and deposits	36	5.3	5.8	5.9	5.7	5.8	5.4	6.0	6.2	6.0	6.8
Securities other than shares	11	1.3	2.2	4.0	4.1	3.5	2.6	2.3	4.4	4.8	7.4
of which: short-term	1	25.1	29.5	35.3	17.3	8.8	7.6	-2.9	12.0	9.9	13.1
of which: long-term	10	-0.7	-0.2	0.9	2.6	2.8	1.9	3.1	3.4	4.1	6.7
Mutual fund shares	11	3.4	2.4	1.8	2.0	2.3	3.6	4.2	3.0	2.1	-0.1
of which: mutual fund shares, excluding money market fund shares/units	9	3.9	3.1	2.7	3.4	3.8	5.1	5.2	3.9	2.8	-0.2
of which: money market fund shares/units	2	1.7	0.1	-1.5	-3.3	-3.3	-1.8	0.1	-0.5	-0.9	0.2
Quoted shares	16	3.9	2.9	1.0	1.0	-0.9	-1.6	0.9	-1.2	-0.2	0.8
Insurance technical reserves	26	6.7	6.6	6.9	6.9	7.2	7.4	7.6	7.5	7.1	6.7
M3[2]		5.3	6.0	6.6	6.5	7.6	8.3	7.3	8.5	8.4	8.5
Annual gains and losses on the securities holdings of the non-financial sector (as a percentage of GDP)		4.2	3.4	2.4	2.7	4.4	8.0	6.8	9.5	5.7	4.4

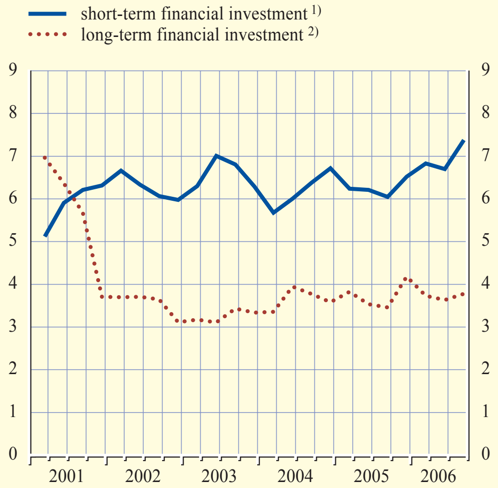
Source: ECB.
Note: See also Section 3.1 of the "Euro area statistics" section of the Monthly Bulletin.
1) As at the end of the last quarter available. Figures may not add up due to rounding.
2) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sector and non-monetary financial institutions) with euro area MFIs and central government.

return of the acquisition of quoted shares to positive growth, after two quarters of decline. The higher annual growth rate of short-term financial investment, at 7.4% in the third quarter of 2006 after 6.7% in the previous quarter, mainly reflects the faster growth of short-term deposits.

Overall, short-term deposits and insurance and pension products – two asset classes that are typically on opposite sides of the investment horizon – continue to account for the bulk of financial investment of the non-financial sector, with a joint contribution of 3.9 percentage points to the annual 5.1% increase in the third quarter of 2006.

Chart 11 Financial investment of the non-financial sector

(annual percentage changes)



Source: ECB.
1) Includes currency, short-term deposits, short-term debt securities, money market fund shares/units and prepayments of insurance premiums and reserves for outstanding claims.
2) Includes long-term deposits, long-term debt securities, quoted shares, mutual fund shares excluding money market fund shares/units and net equity of households in life insurance reserves and pension fund reserves.

INSTITUTIONAL INVESTORS

The annual rate of growth in the value of the total assets of investment funds in the euro area decreased further to 15.6% in the third quarter of 2006, from 19.1% in the previous quarter. This development in the value of assets was broadly based across all types of funds, although the deceleration in growth was more pronounced in the case of equity funds and the "other funds" category. Developments in the value of the stock of total assets include valuation effects caused by changes in asset prices and may therefore not give a full picture of the investment behaviour of institutional investors. In this respect, data provided by EFAMA[1] show that the net annual flow of sales of investment funds (excluding money market funds) was lower in the third quarter of 2006 than in the previous quarter. All fund types contributed to the decline in the net annual flow of sales of investment funds in the third quarter of 2006. However, while in the case of equity and balanced funds, net annual flows in sales remained strongly positive, bond funds recorded net annual outflows and the net annual flows into money market funds remained at a very low level (see Chart 12).

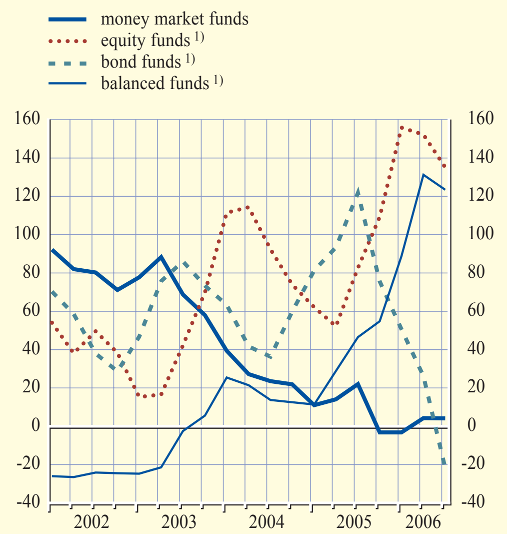
The annual growth rate of total financial investment of insurance corporations and pension funds in the euro area moderated somewhat to 6.7% in the third quarter of 2006, from 7.1% in the previous quarter (see Chart 13). This development conceals a higher contribution from investment in deposits, which was however more than offset by declines in the contributions from investment in debt securities and quoted shares. The annual growth rate of investment in mutual fund shares remained broadly unchanged, at a level that is considered high compared with previous years.

Overall, the latest data confirm the pattern of financial investment observed in the first half of 2006: the non-financial sector continued to invest strongly in products offered by insurance

1 The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin for further information.

Chart 12 Net annual flows into investment funds (by category)

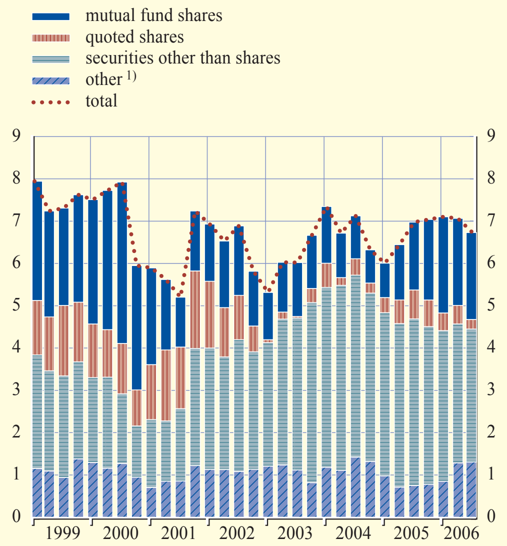
(EUR billions)



Sources: ECB and EFAMA.
1) ECB calculations on the basis of national data provided by EFAMA.

Chart 13 Financial investment of insurance corporations and pension funds

(annual percentage changes; contributions in percentage points)



Source: ECB.
1) Includes loans, deposits and insurance technical reserves.

corporations and pension funds, which, in turn, continued to invest a much larger share of these assets in mutual funds (excluding money market funds) than was the case in previous years.

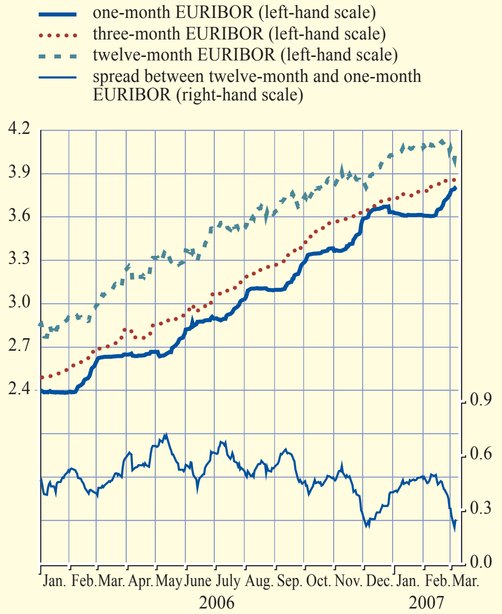
2.3 MONEY MARKET INTEREST RATES

From the beginning of December 2006 to the beginning of March 2007, money market interest rates across the maturity spectrum increased. The increases in interest rates at various maturities were of similar magnitude, thus leaving the slope of the money market yield curve broadly unchanged over the three-month period as a whole.

Money market interest rates rose from the beginning of December 2006 to the beginning of March 2007. During December 2006 the most marked increase was observed at the longer end of the money market maturity spectrum, reflecting a strengthening of market expectations of further rises in key ECB interest rates in 2007. In the period from the end of December 2006 to the beginning of February 2007, money market rates with a maturity of one month fell somewhat, while longer rates continued to increase. In mid-February one-month rates also began to increase significantly owing to market expectations of an increase in key ECB rates on 8 March. Later in the review period, towards the end of February and at the beginning of March, turmoil in financial markets tended to scale back market expectations of further rises in key ECB interest rates in 2007. As a result, both six-month and twelve-month rates declined somewhat. On 7 March the one-month, three-month, six-month and twelve-month rates stood at 3.81%, 3.87%, 3.96% and 4.05% respectively, i.e. around 20 basis points higher than the levels observed at the beginning of December 2006.

Chart 14 Money market interest rates

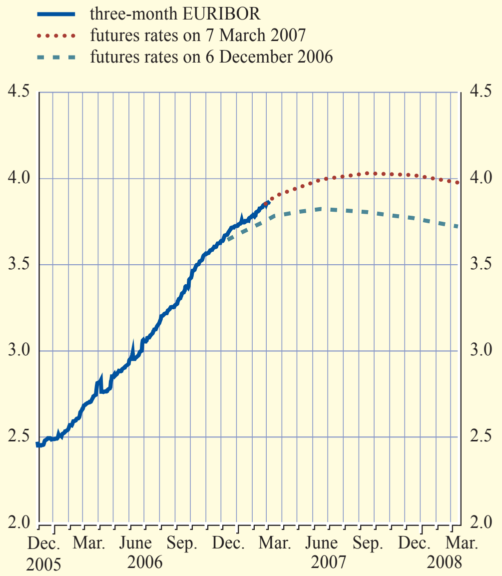
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 15 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)



Source: Reuters.
Note: Three-month futures contracts for delivery at the end of the current and next three quarters as quoted on Liffe.

Reflecting these developments, the slope of the money market yield curve, which had steepened in the course of December and January, flattened again in February. The spread between the twelve-month and the one-month EURIBOR was 24 basis points on 7 March 2007, compared with 23 basis points on 6 December 2006 (see Chart 14).

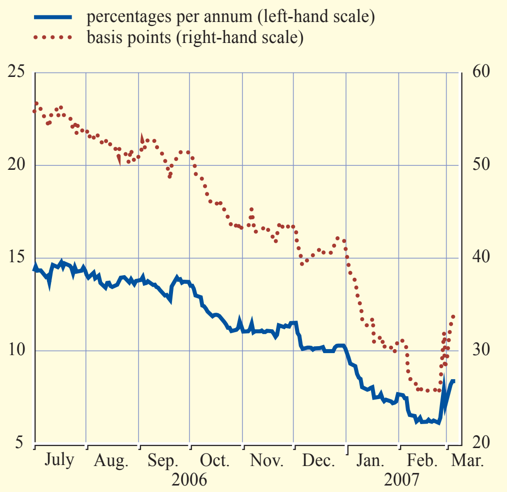
The upward adjustment of market participants' expectations of short-term interest rates over the course of 2007 and 2008 is also reflected in the interest rates implied by the three-month EURIBOR futures contracts maturing in June 2007, September 2007, December 2007 and March 2008, which stood at 4.00%, 4.03%, 4.02% and 3.97% respectively on 7 March 2007, i.e. 17, 22, 25 and 25 basis points higher than the respective levels at the beginning of December 2005 (see Chart 15).

The implied volatility derived from options on three-month EURIBOR futures decreased further between December and February, but picked up again after 27 February reflecting some turmoil in financial markets. However, the levels of implied volatility observed at the beginning of March are still low by historical standards and are somewhat lower than the levels observed at the beginning of December 2006 (see Chart 16).

In December 2006 interest rates at the very short end of the money market curve rose following the decision on 7 December to increase key ECB interest rates by 25 basis points (see Chart 17). For most of the period from the beginning of December 2006 to the end of February 2007, interest rate conditions in the money market were relatively stable. To continue fostering smooth liquidity conditions in the money market, over the past three months, the ECB has further pursued a policy

Chart 16 Implied volatility derived from options on three-month EURIBOR futures maturing in September 2007

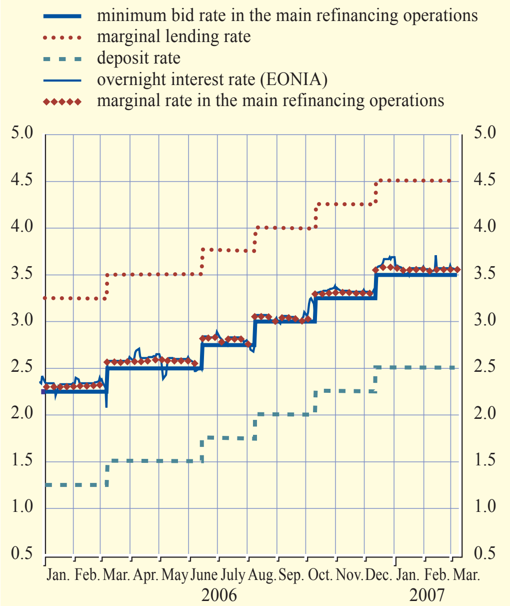
(percentages per annum; basis points; daily data)



Sources: Bloomberg, Reuters and ECB calculations.
Note: The basis point measure is obtained as the product of implied volatility in percentages and the corresponding interest rate (see also the box entitled "Measures of implied volatility derived from options on short-term interest rate futures" in the May 2002 issue of the Monthly Bulletin).

Chart 17 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

of allotting slightly more than the benchmark amount in the Eurosystem's main refinancing operations (MROs). The marginal and weighted average rates in the MROs increased in December 2006 to reach peaks of 3.58% and 3.68% respectively in the last main refinancing operation of 2006, as the spread between very short-term market rates and the minimum bid rate in the MRO widened on account of the year-end effect. From January marginal and weighted average rates declined again as these spreads normalised, and stood at 3.55% and 3.56% respectively in the majority of the tender auctions. Further information on short-term interest rates and liquidity conditions for the three most recent maintenance periods is presented in Box 1.

In the Eurosystem's longer-term refinancing operation conducted on 20 December 2006, the marginal and weighted average rates stood at 3.66% and 3.67% respectively. In the operation conducted on 31 January 2007, which was the first operation with a higher allotment volume of €50 billion, the marginal and weighted average rates stood at 3.72% and 3.74% respectively. In the operation conducted on 28 February the marginal and weighted average rates stood at 3.80% and 3.81% respectively. The marginal rates in the three operations were respectively 5, 6 and 5 basis points lower than the three-month EURIBOR prevailing on those dates.

Box 1

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 8 NOVEMBER 2006 TO 13 FEBRUARY 2007

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 12 December 2006, 16 January 2007 and 13 February 2007.

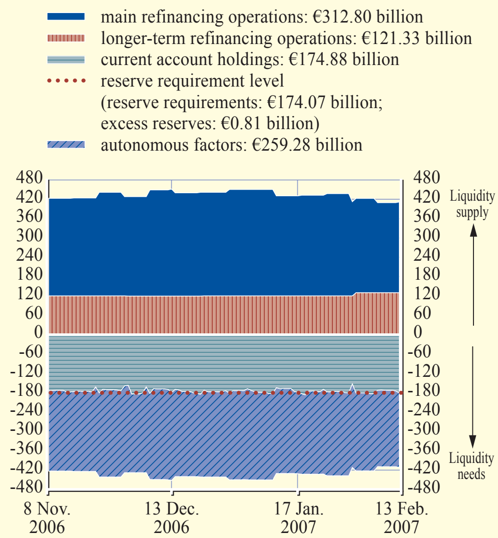
Liquidity needs of the banking system

During the period under review, banks' liquidity needs displayed the usual seasonal pattern (see Chart A), mainly resulting from the increase in banknotes in circulation towards the end of the year. Banknotes in circulation, the largest liquidity-absorbing autonomous factor, reached a historical high of €629.2 billion on 28 December 2006.

Overall, autonomous factors contributed an average of €259.3 billion to the liquidity deficit of the Eurosystem in the period under review. Reserve requirements, the other major source of liquidity needs, amounted to €174.1 billion on average over the same period.[1]

Chart A Liquidity needs of the banking system and liquidity supply

(EUR billions; daily averages for the whole period are shown next to each item)



Source: ECB.

Daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) contributed €0.68 billion to the liquidity deficit of the Eurosystem in the reserve maintenance period ending on 12 December and €0.79 billion in the reserve maintenance period ending on 13 February. A somewhat higher average level of €0.96 billion was observed in the reserve maintenance period ending on 16 January, reflecting the usual higher demand for liquidity buffers around the Christmas and New Year holiday period (see Chart B).

Liquidity supply and interest rates

In parallel with the seasonal peak in the demand for liquidity, the volume of open market operations increased towards the end of the year, before declining again as the seasonal demand for banknotes receded (see Chart A). On average, the liquidity provided via the main refinancing operations (MROs) amounted to €312.8 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) varied between 1.14 and 1.37, with an average over the period of 1.25.

1 With the entry of Slovenia to the euro area on 1 January 2007, the daily reserve requirements increased by €0.3 billion and the liquidity needs stemming from autonomous factors decreased by €1.7 billion on average between 1 January and 13 February 2007. The latter figure included also monetary policy operations conducted by Banka Slovenije before 1 January 2007 and still outstanding after this date.

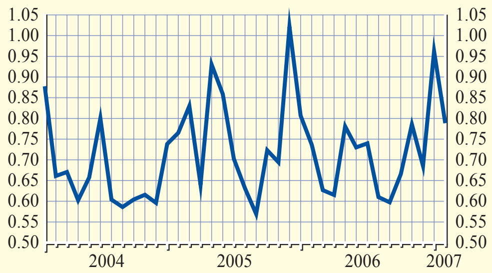
In line with the decision of the Governing Council to increase the allotment amount of the longer-term refinancing operations (LTROs) from €40 billion to €50 billion, the liquidity provided by LTROs increased from €120 billion to €130 billion in the period under review.

Maintenance period ending on 12 December

The ECB allotted €1 billion above benchmark in all MROs of this reserve maintenance period.

Chart B Excess reserves [1)]

(EUR billions, average level in each maintenance period)



Source: ECB.
1) Banks' current account holdings in excess of reserve requirements.

The first two weeks of the period saw marginal and weighted average MRO rates of 3.31% and 3.32%, respectively, and the EONIA (euro overnight index average) declining from 3.33% to 3.32%. In the subsequent tender, the marginal and weighted average MRO rates declined to 3.30% and 3.31%, respectively. With the exception of 30 November, when it stood at 3.34% due to the usual end-of-month effect, the EONIA remained at 3.32% until the last week of the reserve maintenance period. During this week, it first declined to 3.28% on 7 December, but started increasing again against the background of unexpectedly high autonomous factors. On the last day of the reserve maintenance period, the ECB provided €2.5 billion via a fine-tuning operation. The reserve maintenance period ended with a net recourse to the marginal lending facility of €0.5 billion and the EONIA at 3.36%, i.e. 11 basis points above the minimum bid rate. The average spread between the EONIA and the ECB's minimum bid rate in the reserve maintenance period amounted to 7 basis points.

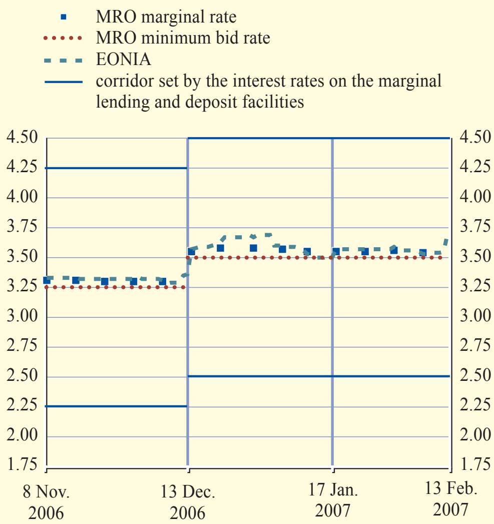
Maintenance period ending on 16 January

On 7 December the Governing Council decided to increase the key ECB interest rates (minimum bid rate and rates of the deposit and marginal lending facilities) by 25 basis points to 3.50%, 2.50% and 4.50%, respectively. The change became effective as of 13 December, the first day of the subsequent maintenance period.

The policy of allotting more than the benchmark amount followed in the previous reserve maintenance period was gradually stepped up in the period under review to foster smooth liquidity conditions in the money market around Christmas and the end of the year. In the first three MROs of the reserve maintenance period, the ECB allotted €2 billion, €4 billion and €5 billion above benchmark.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

Notwithstanding the allotment above benchmark in the first and second MROs, the EONIA rose to 3.67% on 21 December and increased further to 3.69% on 27 December, possibly also reflecting an additional demand for liquidity around Christmas and the end of the year which seemed somewhat stronger than in the previous year. After the ECB had allotted €5 billion above benchmark in the last MRO of 2006, the EONIA briefly dropped to 3.67%, before rising again to 3.69% on 29 December, the last trading day of the year. The end-of-year spread between the EONIA and the minimum bid rate of 19 basis points was in line with the spread observed in previous years. At the beginning of 2007, the ECB reduced the amount allotted above benchmark to €2 billion in the penultimate MRO of the reserve maintenance period and further to €1 billion in the last one. Possibly also in connection with ample liquidity conditions due to lower than expected autonomous factors, the EONIA decreased with the start of the new year. It reached 3.56% on 9 January and declined further in the last week of the reserve maintenance period, notwithstanding liquidity-absorbing errors in the forecast of autonomous factors. The reserve maintenance period ended with a net recourse to the marginal lending facility of €0.9 billion and the EONIA at 3.50%. The average spread between the EONIA and the ECB's minimum bid rate in the reserve maintenance period amounted to 11 basis points, slightly higher than in the corresponding period one year earlier.

While the marginal and weighted average MRO rates stood at 3.55% and 3.56%, respectively, in the first and the last MRO of the reserve maintenance period, they ranged between 3.57% and 3.58% and between 3.58% and 3.68%, respectively, in the other three MROs.

Maintenance period ending on 13 February

In all MROs of this reserve maintenance period, the ECB continued allotting €1 billion above benchmark. The first two weeks of the period saw marginal and weighted average MRO rates at 3.55% and 3.56%, respectively, and the EONIA stable at 3.57%, i.e. 7 basis points above the minimum bid rate. The EONIA rose to 3.59% on 31 January, due to the usual end-of-month effect. Whereas the marginal MRO rate increased to 3.56% in the third week of the period, the EONIA started to decline, reaching 3.53% on 7 February. In line with this development, the marginal and weighted average MRO rates declined to 3.54% and 3.55%, respectively, in the last MRO of the period. However, the EONIA rose to 3.55% on 12 February against the background of liquidity-absorbing errors in the forecast of autonomous factors in the last week of the period. On 13 February, the last day of the reserve maintenance period, the ECB provided liquidity for an amount of €2 billion via a fine-tuning operation. The reserve maintenance period ended with a net recourse to the marginal lending facility of €0.4 billion and the EONIA at 3.71%, i.e. 21 basis points above the minimum bid rate. The average spread between the EONIA and the ECB's minimum bid rate amounted to 7 basis points during the period.

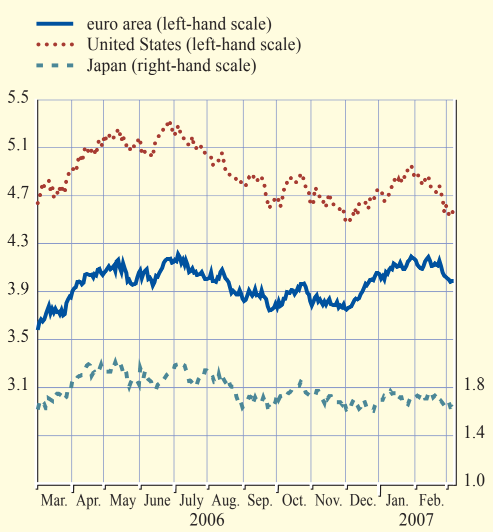
2.4 BOND MARKETS

Long-term government bond yields in the euro area have risen over the past three months, while those in other major markets remained, all in all, basically unchanged. The increase in yields in the euro area was driven mainly by rising real long-term bond yields that probably reflected a combination of market participants' perceptions of a more favourable economic outlook and higher risk premia, while the real long-term bond yields in the United States declined. At the same time, longer-term break-even inflation rates decreased slightly in the euro area.

Long-term interest rates in the euro area and the United States have developed along broadly similar lines over the past few months. In December and January, nominal long-term bond yields rose significantly in both economic areas, supported by a more favourable economic outlook as perceived by market participants. Since early February, however, long-term yields have declined, especially in the United States, amid market perceptions that the US economy might face a more protracted period of economic slowdown than previously envisaged (see Chart 18). The last few days of February were marked by a significant decline in bond yields in the wake of a global stock market downturn, with government bonds acting as a "safe haven" for investors who reshuffled their portfolios. Overall, euro area ten-year government bond yields rose by about 20 basis points between end-November 2006 and 7 March 2007 to stand at around 4.0% on the latter date. At the same time, ten-year government bond yields in the United States remained virtually unchanged, all in all, and ended the period under review at about 4.5%. As a result, the differential between

Chart 18 Long-term government bond yields

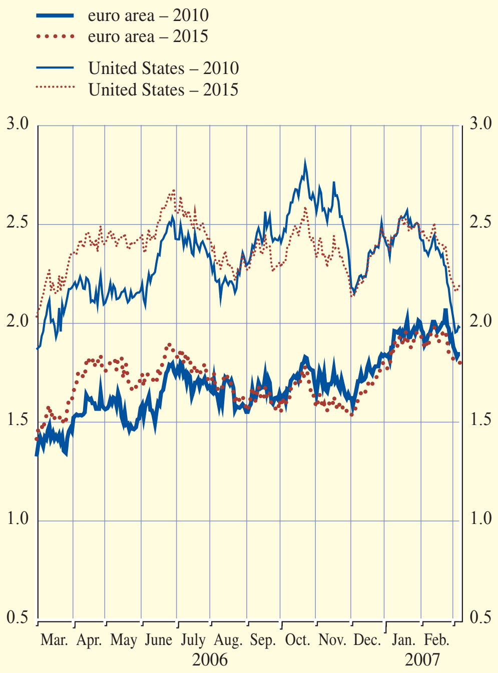
(percentages per annum; daily data)



Sources: Bloomberg and Reuters.
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

Chart 19 Real bond yields

(percentages per annum; daily data)



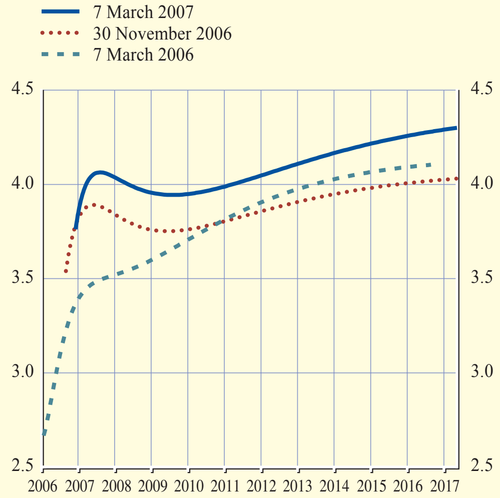
Sources: Reuters and ECB calculations.

US and euro area ten-year government bond yields narrowed to around 55 basis points on 7 March. In Japan, ten-year government bond yields remained almost unchanged in the period under review. Market participants' uncertainty about the near-term outlook for long-term bond yields seems to have remained broadly unchanged in the major markets, as indicated by developments in implied bond market volatility.

In the United States, long-term government bond yields did not change, overall, between end-November 2006 and 7 March 2007, mainly on account of lower real rates, as evidenced by developments in index-linked bond yields (see Chart 19). The upward movement of nominal bond yields at the beginning of the period under review was accompanied by marked increases in real yields, especially in December 2006. Thereafter, real bond yields declined. Overall, the changes in the nominal yields were rather muted in the last three months as a whole. The initial rise in real bond yields at the end of 2006, in turn, reflected not only a more favourable economic outlook, as anticipated by market participants, but probably also rising risk premia, which had previously reached historically low levels in an environment of ample liquidity. Throughout most of January, longer-term bond yields were also generally supported by market expectations about the possibility of tighter-than-previously-expected monetary policy in the context of perceptions of stronger inflationary risks. However, in the light of the decision by the Federal Open Market Committee (FOMC) on 30-31 January to keep its federal funds target rate unchanged, market participants revised their expectations about the future path of official interest rates markedly downwards. The equity market turmoil in the last few days of February also exerted downward pressure on nominal yields as the "flight to safety" on the part of investors was pronounced.

Chart 20 Implied forward euro area overnight interest rates

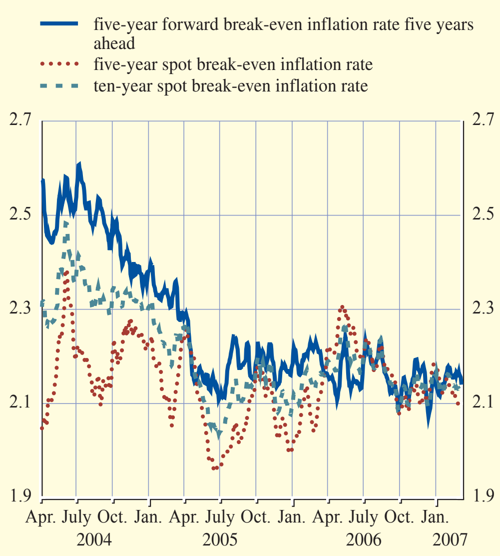
(percentages per annum; daily data)



Sources: Reuters and ECB estimate.
Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects market expectations of future levels for short-term interest rates. The method used to calculate these implied forward yield curves was outlined in Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from zero-coupon swap contracts.

Chart 21 Zero-coupon spot and forward break-even inflation rates

(percentages per annum; five-day moving averages of daily data)



Sources: Reuters and ECB calculations.

In the euro area, long-term government bond yields likewise experienced a significant gradual upward movement against the backdrop of an improvement in expectations for economic activity among market participants in the earlier part of the period under review. Later on, the stronger-than-expected real GDP data released for the fourth quarter of 2006 also contributed to supporting both nominal and real yields. However, the pronounced increase in risk aversion among investors following the stock market turmoil at the end of February 2007 triggered a "flight-to-safety" surge in demand for government bonds that pushed bond yields markedly downwards. The view of investors anticipating stronger economic growth in the euro area is consistent with the increase of around 30 basis points in the yield on index-linked bonds across all longer-term maturities over the past three months (see Chart 19). In line with this strong momentum in euro area growth expectations, the messages from the corporate bond market have also been quite optimistic. Since end-November 2006, corporate bond spreads for borrowers with the low rating of BBB have tightened further by more than 10 basis points, reflecting the favourable economic outlook for corporations in the euro area. Corporate bond spreads, however, have rebounded somewhat in the context of changes in risk attitudes in global financial markets at the end of February.

As the yields on short and medium-term bonds have risen somewhat less than long-term bond yields over the past three months, the slope of the euro area yield curve, as measured by the difference between the ten-year government bond yield and the three-month interest rate, was slightly steeper by the beginning of March.

Over the review period as a whole, the implied forward overnight interest rate curve for the euro area shifted upward to a similar extent across all horizons (see Chart 20). While this seemed to reflect slightly changed investor expectations of the path of the key ECB interest rates over short to medium-term horizons, the upward shift at the longer end of the forward curve most likely also reflected an increase in risk premia.

The five-year forward break-even inflation rate five years ahead – a measure of market participants' purely long-term inflation expectations and related risk premia – remained almost unchanged between the end of November 2006 and 7 March 2007 and stood at 2.1% on the latter date (see Chart 21). The concomitant marginal decrease in the five-year spot break-even inflation rate is consistent with both the recent relatively low HICP inflation readings and survey evidence of lower near-term inflation expectations.

Implied bond market volatility in the euro area and the United States remained almost unchanged, indicating that market participants' uncertainty regarding near-term developments in long-term bond yields remained quite moderate by historical standards.

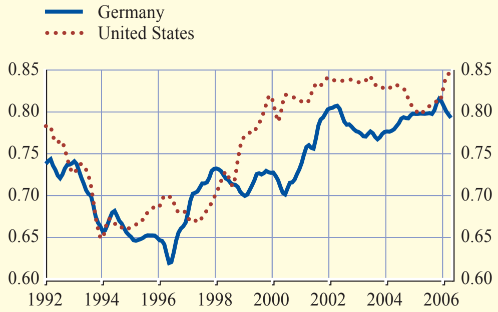
Box 2

THE DEVELOPMENT OF INTERNATIONAL LINKAGES BETWEEN GOVERNMENT BOND YIELD CURVES IN THE EURO AREA AND THE UNITED STATES

Increasing economic globalisation manifests itself in the fact that goods and financial markets are generally becoming more deeply integrated at the international level. As a rule, deeper international economic and financial integration also raises the degree of economic interdependence between the countries concerned. This, in turn, has inevitable implications for

Chart A Percentage of the variation in the level of the domestic yield curve explained by the international factor

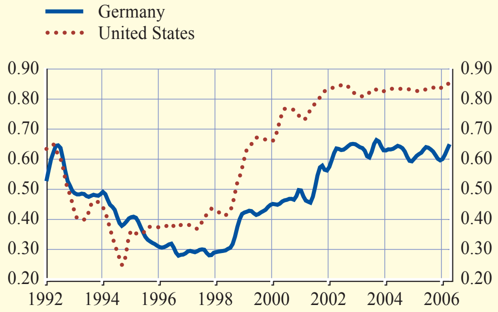
(monthly data in first differences; percentage per six-year period; six-year rolling calculations; January 1986-May 2006)



Sources: BIS and ECB calculations.
Notes: The method used to calculate the domestic (level) factors is outlined by Diebold and Li. The international (level) factor is the first principal component of the domestic (level) factors. A variance decomposition of the domestic (level) factors shows the percentage of the variance in the domestic (level) factor, explained by the international (level) factor. A rolling estimation of the above parameters (six-year window) delivers the data points for Chart A.

Chart B Percentage of the variation in the slope of the domestic yield curve explained by the international factor

(monthly data in first differences; percentage per six-year period; six-year rolling calculations; January 1986-May 2006)



Sources: BIS and ECB calculations.
Notes: The method used to calculate the domestic (slope) factors is outlined by Diebold and Li. The international (slope) factor is the first principal component of the domestic (slope) factors. A variance decomposition of the domestic (slope) factors shows the percentage of the variance in the domestic (slope) factor, explained by the international (slope) factor. A rolling estimation of the above parameters (six-year window) delivers the data points for Chart B.

economic policy, as economic variables might be less influenced by domestic causes and therefore less responsive to domestic policies.

Against this background, this box assesses recent developments in the international linkages between government bond yield curves in the euro area (represented by Germany) and in the United States. The degree to which domestic bond yields depend on developments abroad affects the monetary policy transmission process and is therefore of particular interest to central banks. International linkages between the term structure of government bond yields (one to ten years of maturity) in Germany and the United States are measured on the basis of specific common factors that are extracted in a two-step procedure. First, three unobserved domestic factors are extracted from each term structure, capturing the level, slope and curvature of each country's yield curve.[1] Second, the common (international) factors related to the international level, slope and curvature are extracted from the respective domestic factors.[2]

The time-varying importance of the international factors in explaining domestic yield curve developments is shown in Charts A and B. Both charts show, for each country, the percentage contribution of the international factor to the variation in the domestic level and slope factors over a moving six-year window. Results for the domestic curvature factor are not reported since it explains relatively little of the variation in the domestic yield curves. It can be inferred from

1 Nelson and Siegel propose a three component polynomial function as an approximation to the yield curve. Diebold and Li suggest that this functional form is very flexible and capable of accommodating several stylised facts on the term structure of interest rates and its dynamics. In particular, the parameters of the Nelson and Siegel model can be interpreted as the latent dynamic factors for the level, the slope and the curvature of the yield curve. They estimate the parameters, at each point in time, by least squares using the cross section of domestic yields of different maturities. Repeating the estimating at each point in time provides a time series for the three factors. See Nelson, C. R., and Siegel, A. F., "Parsimonious modelling of yield curve", *Journal of Business,* 1987, pp. 473-489, and Diebold, F. X., and Li, C., "Forecasting the Term Structure of Government Bond Yields," *Journal of Econometrics,* 2006, pp. 337-364.
2 The general idea of this approach for modelling international yield curves follows Diebold, F. X., Li, C. and Yue, V. "Global Yield Curve Dynamics and Interactions: A Generalized Nelson-Siegel Approach," manuscript, Department of Economics, University of Pennsylvania, 2006.

the charts that, throughout the observation period (January 1986 to May 2006), the international factors played an ever increasing role in developments in the level and slope of bond yield curves in both Germany and the United States.

Overall, it appears that changes in bond yields in these two countries have been subject to a growing number of common influences (shocks). It is instructive, however, to identify the driving forces behind the behaviour of the level and slope factors. For example, the level of the domestic yield curve appears to be closely associated with the level of monetary policy rates in each country. A more dominant international factor may therefore to some extent reflect the increased level of homogeneity in monetary policies – particularly with respect to the goal of price stability – in Germany, i.e. the euro area, and the United States over the past two decades. Furthermore, the slope of the domestic yield curve appears to be driven to a large extent by the state of the business cycle. An increasingly important international slope factor might, therefore, suggest a greater synchronisation of the business cycles in the two countries. In addition, it seems as if bond market risk premia have also become more strongly synchronised across the major markets. There is indeed evidence that strong declines in term premia, in particular at longer maturities, contributed markedly to the sharp flattening of the slope of the yield curves in both the euro area and the United States, especially over the past three years.[3] A stronger international factor in term premia could have resulted from investors' perception that euro area and US government bonds may have become closer substitutes to each other. Such a perception, in turn, could reflect the above-mentioned process of increasing international integration of goods and financial markets and the correspondingly smaller role for domestic and exchange rate risks in the pricing of bonds.

Generally, the empirical evidence provided suggests that there is a strong international factor driving yield curves in the euro area and the United States, which seems to have gained importance over time, most likely reflecting the growing levels of economic and financial market integration across national boundaries. Furthermore, the degree of measured international interest rate linkages may also have strengthened recently on a temporary basis, on account of, for example, both economies reacting symmetrically to external global shocks, such as recent oil price developments.

3 See the box entitled "The recent flattening of the euro area yield curve: what role was played by risk premia?" in the December 2006 issue of the Monthly Bulletin.

2.5 EQUITY MARKETS

Looking at the past three-month period, stock prices in the major markets initially continued to rise to new cyclical highs, supported by the ongoing rapid growth of corporate earnings, but then declined sharply at the end of February. The sharp correction of global stock prices towards the end of the period seems to have been triggered by developments in the Chinese market, compounded by market uncertainty about the shorter-term outlook for economic growth in the United States in an environment of increased risk aversion and uncertainty among global investors. Indicating much higher uncertainty among investors, implied volatility in the major markets increased significantly in the period under review.

Over the past three months, stock prices rose somewhat, overall, or remained broadly unchanged in the major markets, despite undergoing large swings towards the end of the review period (see Chart 22). Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index,

Chart 22 Stock price indices

(index: 1 March 2006 = 100; daily data)

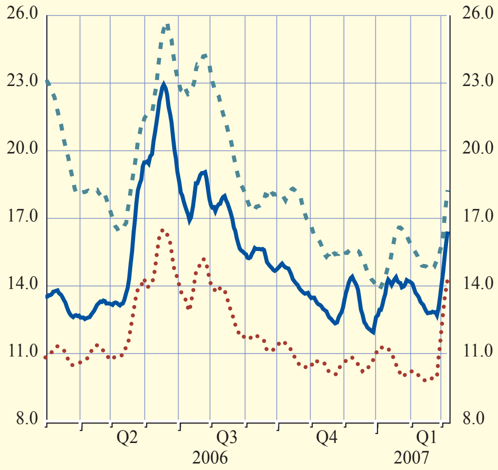
euro area
United States
Japan

Sources: Reuters and Thomson Financial Datastream.
Note: The indices used are the Dow Jones EURO STOXX broad index for the euro area, the Standard & Poor's 500 index for the United States and the Nikkei 225 index for Japan.

Chart 23 Implied stock market volatility

(percentages per annum; ten-day moving average of daily data)

euro area
United States
Japan



Source: Bloomberg.
Note: The implied volatility series reflects the expected standard deviation of percentage changes in stock prices over a period of up to three months, as implied in the prices of options on stock price indices. The equity indices to which the implied volatilities refer are the Dow Jones EURO STOXX 50 for the euro area, the Standard & Poor's 500 for the United States and the Nikkei 225 for Japan.

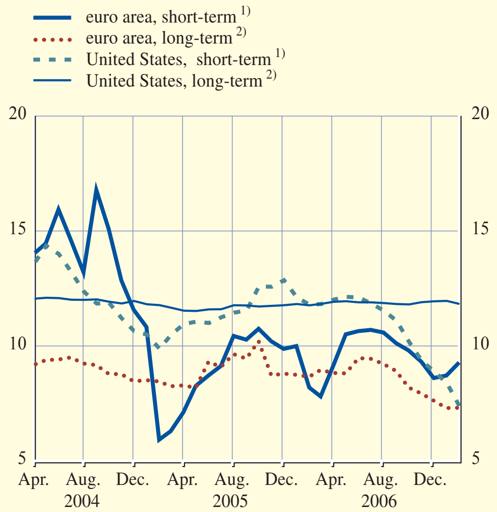
increased by 3% between the end of November 2006 and 7 March 2007. In the United States, stock prices, as measured by the Standard & Poor's 500 index, remained virtually unchanged over the same period. In Japan, stock prices, as measured by the Nikkei 225 index, increased markedly, namely by more than 3%.

In most of the period under review, stock prices in the major markets moved further upwards, more or less in tandem. As a result, euro area and US stock prices climbed to levels rather close to their all-time highs of early 2000 in early February. In late February, however, global stock markets experienced a marked adjustment in the wake of the stock market turmoil that emanated from the Chinese market. Apparently, the turmoil led to sharp increases in global investors' risk aversion and uncertainty regarding future stock price developments. This was indicated by the sharp rise in the implied volatility extracted from stock options at the end of the period under review (see Chart 23). By 7 March, the implied volatility for the Dow Jones EURO STOXX 50 index and the Standard & Poor's 500 index was around 4 percentage points higher respectively than at the end of November last year.

In the United States, the global stock market correction at the end of February brought the Standard & Poor's 500 index back to the levels prevailing at the end of November 2006. All in all, therefore, the US stock market performed less well in the past three months than the euro area stock market, despite the increase in long-term interest rates in the euro area. This underperformance of the US market seemed to result, at least to some extent, from emerging concerns among investors about the near-term outlook for the US economy that were partly triggered by some weaker-than-expected data releases on economic activity towards the end of the period under review. This view is also consistent with the fact that analysts revised their expectations for earnings growth in the US market further downwards. According to private sector information, analysts' expectations regarding the growth of earnings per share over the next 12 months for corporations included in the Standard & Poor's 500 index continued along the downward trend that started in July 2006 to reach 7.4% in February, which is about 2 percentage points lower than in November 2006 (see Chart 24). This notwithstanding, reported earnings per share for the same set of firms still grew at a robust rate of 14.5% in the 12 months to February 2007.

Chart 24 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.
Notes: Expected earnings growth of the Dow Jones EURO STOXX index for the euro area and Standard & Poor's 500 index for the United States.
1) Short-term refers to analysts' earnings expectations twelve months ahead (annual growth rates).
2) Long-term refers to analysts' earnings expectations three to five years ahead (annual growth rates).

In the euro area, stock prices increased markedly over the past three months, despite the turbulence in late February. Stock valuations in the euro area still benefited from a very robust growth of corporate earnings, both actual and expected, and from continued optimism regarding the economic outlook for the euro area. According to private sector data providers, the actual earnings per share of the companies included in the Dow Jones EURO STOXX index rose by an annual rate of 16.5% in February, compared with 20.8% in November 2006. It is possible that this outcome of ongoing robust earnings growth surpassed investors' expectations and thereby contributed to the overall increase in stock prices in the period under review. At the same time, analysts' expectations regarding the growth in earnings per share over the next 12 months remained almost unchanged at 9% between November 2006 and February 2007. In parallel, analysts' latest expectations for earnings growth over a longer-term horizon (three to five years ahead) also remained broadly unchanged over the past three months. This stability in analysts' anticipated earnings growth appears to be in line with an unchanged, optimistic outlook for economic activity in the euro area among market participants. In the wake of the global stock market turmoil, the Dow Jones EURO STOXX index lost around 6% of its value between 26 February and 7 March. This price correction seems to reflect mainly an increase in equity risk premia that is driven by higher risk aversion and uncertainty among global investors, triggering portfolio shifts from the stock markets to, in particular, the government bond markets (see Section 2.4).

Viewed across sectors, the stock price increases in the aggregate market were rather broadly spread, with only two sectors underperforming the broad-based Dow Jones EURO STOXX index over the past three months (see Table 3). The underperformance of the oil and gas sector can to some extent be attributed to the decreases in oil prices that have been recorded in the period under review. The health sector's underperformance suggests that investors may have become somewhat less inclined to invest in stocks that are generally less affected by the current state of the business cycle and are influenced relatively little by changes in the appetite for risk. This is also confirmed

Table 3 Price changes in the Dow Jones EURO STOXX economic sector indices

(price changes as percentages of end-of-period prices)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communi-cations	Utility	EURO STOXX
Share of sector in market capitalisation *(end-of-period data)*	6.1	6.7	11.2	6.4	35.3	3.0	11.4	4.7	6.2	9.0	100.0
Price changes *(end-of-period data)*											
2005 Q4	6.2	4.3	0.6	-6.3	9.0	6.5	7.1	7.0	-4.1	5.7	4.5
2006 Q1	11.5	5.6	11.3	2.7	12.5	11.3	14.8	11.2	-0.1	12.9	10.3
2006 Q2	-1.2	-3.0	-7.5	-3.9	-7.1	-2.1	-5.4	-9.7	-5.8	-2.4	-5.6
2006 Q3	8.7	7.8	8.8	0.6	10.5	-2.2	4.4	-0.4	6.0	11.9	7.4
2006 Q4	12.4	4.7	7.3	7.8	6.1	-0.2	11.7	3.3	11.8	9.4	7.5
January	3.6	2.4	2.7	-4.2	3.1	-1.6	5.2	-0.4	1.5	-0.4	2.0
February	-0.9	0.5	-0.1	-2.4	-2.4	-2.7	-1.4	-1.0	-1.6	-1.8	-1.6
End-Nov. - 7 Mar.	9.0	6.7	5.7	-5.8	2.9	0.0	8.2	-0.3	-0.7	1.5	3.2

Sources: Thomson Financial Datastream and ECB calculations.

by the better performance of sectors, such as the basic materials industry, that depend more strongly on the business cycle. At the same time, the stock prices of financial corporations, which tend to react strongly to swings in risk appetite, were among those that outperformed the overall index.

2.6 FINANCING AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

The financing conditions of the non-financial corporate sector in the euro area remained favourable in the fourth quarter of 2006. In an environment of low and stable real costs of external financing, non-financial corporations took increasing recourse to debt financing, primarily in the form of accelerating loan growth. As a result, the sector's debt-to-GDP ratio increased further over the period.

FINANCING COSTS

The real cost of non-financial corporations' external financing in the euro area, as calculated by weighting the cost of different sources of financing on the basis of the respective amounts outstanding (corrected for valuation effects), generally remained stable at low levels in the fourth quarter of 2006 (see Chart 25).[2] While the real cost of bank lending continued to rise, the real cost of quoted equity and, to a lesser extent, the real cost of market-debt declined over the same period.

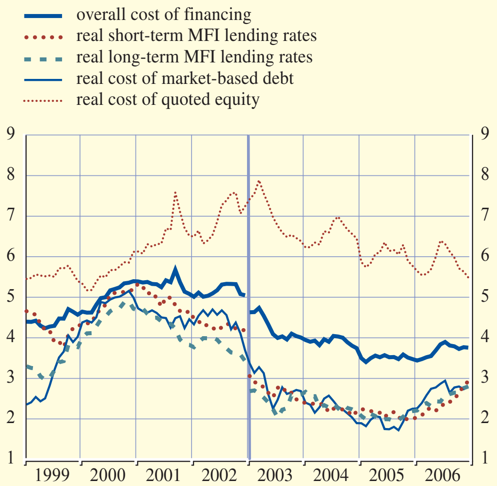
Continuing the trend of previous quarters, the real cost of bank lending rose further in the fourth quarter of 2006. The increases in bank interest rates were broadly in line with the movements in market rates for corresponding periods of rate fixation (see also Section 2.4). As a result, short-term MFI interest rates on loans (with a floating rate and an initial rate fixation of up to one year) to non-financial corporations rose by between 35 and 50 basis points from September to December 2006, which was close to the increase in money market rates over the same period (see Table 4).

2 For a detailed description of the measure of the real cost of the external financing of euro area non-financial corporations, see Box 4 in the March 2005 issue of the Monthly Bulletin.

Since September 2005, when money market rates first started to rise, short-term lending rates to non-financial corporations have increased by around 125 to 150 basis points, thus almost in line with the increase of 155 basis points in the corresponding three-month money market rate. In the fourth quarter of 2006, the long-term lending rates to non-financial corporations rose by around 5 to 15 basis points, while the corresponding long-term market interest rates rose by some 15 basis points. Between September 2005 and December 2006, MFI interest rates on loans with an initial rate fixation of over five years to non-financial corporations rose by some 60 to 75 basis points, compared with an increase of 125 to 150 basis points in the corresponding market interest rates. All in all, spreads on loans to non-financial corporations narrowed somewhat further in the fourth quarter of 2006 and stood at a level at the end of December that was close to the low observed in 2000. In a period of rising interest rates, it is difficult to ascertain to which extent the tightening of spreads is due to an incomplete pass-through of market interest rates to bank lending rates or to an improvement

Chart 25 Real cost of the external financing of euro area non-financial corporations

(percentages per annum)



Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics forecast.
Notes: The real cost of the external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series.

Table 4 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points; weight-adjusted[1])

							Change in basis points up to Dec. 2006[2]		
	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Nov.	2006 Dec.	2006 June	2006 Sep.	2006 Nov.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	5.14	5.30	5.46	5.69	5.82	5.82	37	13	0
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.99	4.23	4.47	4.74	5.00	5.07	61	33	7
with an initial rate fixation of over five years	4.10	4.19	4.40	4.59	4.65	4.65	25	6	0
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.24	3.50	3.74	4.02	4.30	4.50	76	48	19
with an initial rate fixation of over five years	3.98	4.22	4.26	4.48	4.57	4.62	35	14	4
Memo items									
Three-month money market interest rate	2.47	2.72	2.99	3.34	3.60	3.68	70	35	9
Two-year government bond yield	2.80	3.22	3.47	3.62	3.71	3.79	32	17	8
Five-year government bond yield	3.07	3.47	3.78	3.70	3.73	3.83	5	13	10

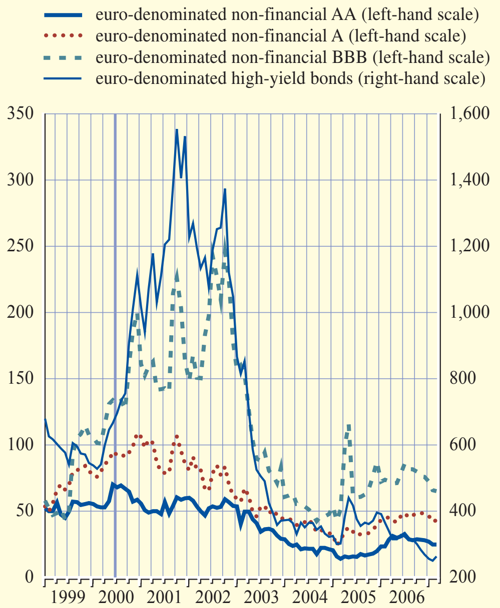
Source: ECB.
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin.
2) Figures may not add up due to rounding.

of the credit risk assessment. Viewed from a historical perspective, the pass-through of bank interest rates in the current period of monetary policy tightening appears broadly similar to what was observed in past episodes. At the same time, bank credit standards on loans and credit lines to enterprises in the fourth quarter of 2006, as reported in the January 2007 bank lending survey, remained broadly unchanged after the easing observed in recent years.

The real cost of non-financial corporations' market-based debt financing declined further from an already low level in the fourth quarter, as a consequence of both the decrease in long-term risk-free interest rates and a further compression of corporate bond spreads over most of the period (see Chart 26). In particular, euro area BBB-rated and high-yield bond spreads continued to narrow in recent months against the backdrop of ample liquidity and low expected and actual defaults. More recently, towards the end of February 2007 and in parallel with the turbulence in the financial markets, corporate bond spreads have widened somewhat.

Chart 26 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



Sources: Thomson Financial Datastream and ECB calculations.
Note: Non-financial bond spreads are calculated against the AAA government bond yields.

The real cost of equity for non-financial corporations declined somewhat in the fourth quarter of 2006, largely reflecting the considerable increases in stock prices over the period. Consequently, although the real cost of equity remained significantly higher than the real cost of debt financing, the gap between the former and the latter narrowed over the same period.

FINANCING FLOWS

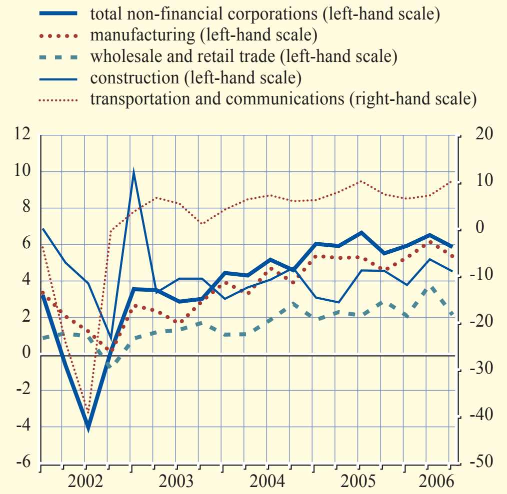
Turning to internal sources of financing, the profitability of non-financial corporations in the euro area – measured in terms of their ratio of net income to sales – remained high in the third quarter of 2006, according to the aggregated financial statement data of listed non-financial enterprises in the euro area. As in preceding quarters, the profit ratios increased sharply in the transportation and communications sectors, while profits in the wholesale and retail trade sectors remained below the average of the total non-financial corporate sector (see Chart 27), despite the increases recorded in recent years.

Stock market-based profitability measures indicate that the growth of the profitability of large listed corporations is expected to remain robust over the next 12 months (see Chart 24).[3] Realised earnings growth has weakened somewhat by some measures in recent months, although it remained at a high level. Over the longer term, earnings growth is expected to decline which may indicate

3 In addition to non-financial corporations, the measure of corporate earnings based on the Dow Jones EURO STOXX index includes financial corporations.

Chart 27 Profit ratios of listed non-financial corporations

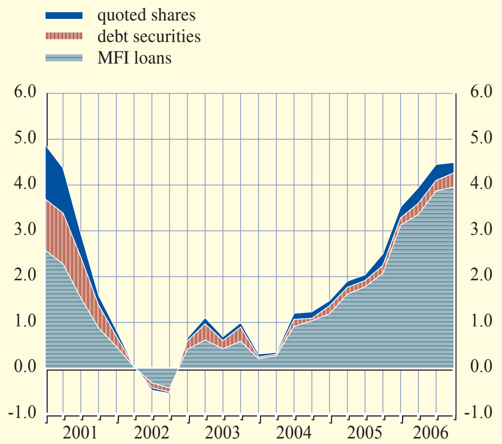
(ratios of net income to net sales; quarterly data)



Source: Thomson's Datastream and ECB calculations.
Note: The latest data refer to the third quarter of 2006.

Chart 28 Breakdown of the real annual rate of growth of financing to non-financial corporations

(annual percentage changes)



Source: ECB.
Note: The real annual growth rate is defined as the difference between the actual annual growth rate and the GDP deflator.

a certain degree of normalisation after the particularly strong performance recorded in recent years.

In addition to drawing on abundant internal funds, non-financial corporations continued to take strong recourse to external financing in the fourth quarter of 2006 (see Chart 28). The real annual growth rate of the external financing of non-financial corporations remained at 4.5% in the fourth quarter of 2006. This development was driven primarily by a further increase in the growth of MFI loans, while the contributions of debt securities and quoted shares issued by non-financial corporations remained modest.

The annual growth rate of MFI loans to non-financial corporations rose to 13.0% at the end of the fourth quarter of 2006, from 12.7% in the third quarter (see Table 5), and continued to increase to 13.2% in January 2007. The further increase in lending to non-financial corporations reflected strong growth rates at all maturities. Hence, the annual growth rate of long-term MFI loans (with a maturity of over five years) rose further to over 12% in December 2006 (12.7% in January 2007), while that of loans with a maturity of between one and five years continued its dynamic development, reaching 21.1% in December 2006 (20.8% in January 2007). At the same time, the annual growth rate of short-term loans moderated slightly in the fourth quarter of 2006 (compared with the previous quarter) to reach 9.4% in December 2006 (9.8% in January 2007).

The annual growth rate of debt securities issued by non-financial corporations remained more moderate than that of loans, reaching 5.7% in December 2006, compared with 4.1% in the previous quarter. This increase was reflected in both a continued robust issuance of long-term debt securities, which reached an annual growth rate of 6.1% in the fourth quarter of 2006 (up from 5.5% in the previous quarter), and a rebound in the issuance of short-term debt securities, which grew by 3.6% on an annual basis in the fourth quarter of 2006 (compared with -3.2% in the previous quarter). In terms of gross flows, issuance activity by euro area non-financial corporations

Table 5 Financing of non-financial corporations

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes; end of quarter)					
		2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4	January 2007
MFI loans	3,847	8.3	10.5	11.3	12.7	13.0	13.2
up to 1 year	1,126	5.8	7.7	8.0	10.3	9.4	9.8
over 1 and up to 5 years	712	9.9	14.9	17.4	20.4	21.1	20.8
over 5 years	2,009	9.3	10.7	11.4	11.6	12.4	12.7
Debt securities issued	643	3.7	2.8	4.4	4.1	5.7	-
short-term	94	-0.3	-7.2	-4.4	-3.2	3.6	-
long-term, *of which:* [1)]	549	4.4	4.9	6.2	5.5	6.1	-
fixed rate	419	0.4	0.3	1.1	1.3	2.8	-
variable rate	117	23.3	24.9	30.7	27.8	24.7	-
Quoted shares issued	4,449	1.0	0.7	1.0	1.0	0.6	-
Memo items [2)]							
Total financing	9,278	4.3	5.4	6.2	7.0	*6 3/4*	-
Loans to non-financial corporations	4,330	5.8	7.7	9.7	10.8	*12 1/2*	-
Pension fund reserves of non-financial corporations	320	4.5	4.2	4.4	4.2	*4 1/4*	-

Source: ECB.
Note: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issues statistics. Small differences with data reported in financial accounts statistics may arise mainly as a result of differences in valuation methods.
1) The sum of fixed rate and variable rate may not add up to total long-term debt securities because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.
2) Data are reported from financial accounts statistics. Total financing of non-financial corporations includes loans, debt securities issued, quoted shares issued and pension fund reserves. Loans to non-financial corporations comprise loans granted by MFIs and other financial corporations. The latest quarter is estimated using data from money and banking statistics and securities issues statistics.

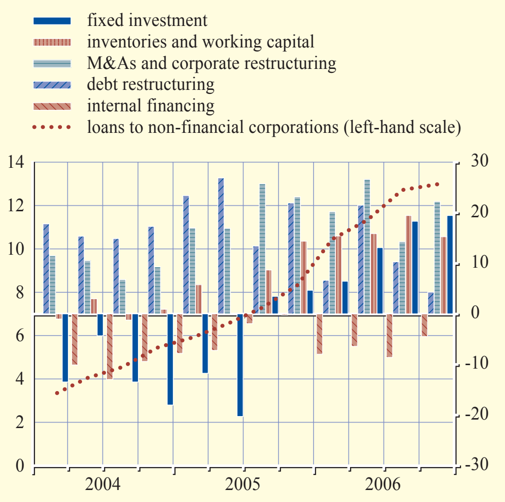
continued unabated, totalling €106 billion in December 2006. According to data from Thomson One Banker, the issuance activity of lower-rated issuers (such as those of BBB-rated and high-yield bonds) was particularly strong. Thus, the share of issuers of BBB-rated and high-yield bonds in total gross issuance of corporate bonds was 52% in 2006, compared with an average of 25% since 1990. The increase in the high-yield (or junk) bond market in the euro area in recent years seems to have been driven primarily by merger and acquisition (M&A) activity, and by the financing of leveraged buyouts (LBOs), in particular. At the same time, the growth rate of debt securities issued by non-monetary financial corporations, including special-purpose vehicles (SPVs), continued to increase sharply – reaching around 27% in December 2006. Some of this issuance activity could be related to financing vehicles set up directly by non-financial corporations. The major part, however, is most likely related to the securitisation activities of banks and private equity funds. The sharp expansion of securitisation operations, which – in the case of true-sale securitisation – removes loans from the balance sheet of MFIs, should by itself have a moderating effect on MFI loan growth data, but could also contribute to the expansion of the overall supply of credit to the private sector.[4]

The annual growth rate of quoted shares issued by non-financial corporations remained stable at below 1% at the end of the fourth quarter of 2006. The modest overall growth in quoted shares may be partly explained by the continuing popularity of share buyback programmes and the growing number of publicly traded firms that are taken over by private equity firms. At the same

4 See the box entitled "The impact of MFI loan securitisation on monetary analysis in the euro area" in the September 2005 issue of the Monthly Bulletin.

Chart 29 Loan growth and factors contributing to non-financial corporations' demand for loans

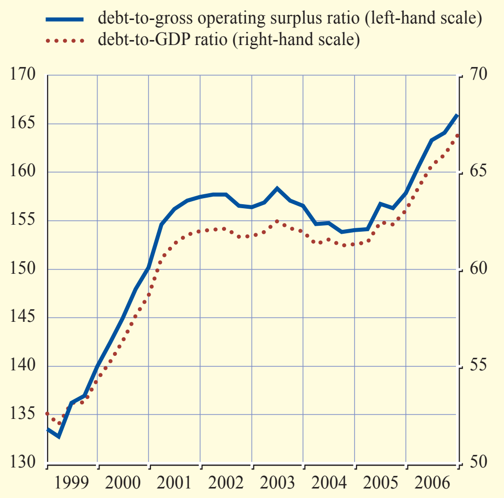
(annual percentage changes; net percentages)



Source: ECB.
Note: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to a tightening of credit standards and the percentage reporting that it contributed to an easing thereof; see also the January 2007 bank lending survey.

Chart 30 Debt ratios of the non-financial corporate sector

(percentages)



Sources: ECB and Eurostat.
Notes: The gross operating surplus relates to gross operating surplus plus mixed income for the whole economy. Debt is reported from financial account statistics. It includes loans, debt securities issued and pension fund reserves. The latest quarter is estimated.

time, gross issuance has been rising markedly over the recent past, supported by the development of both initial and secondary public offerings, and partly related to strong M&A activity.

The buoyant development of profits and the acceleration of the growth of loans in recent years have provided euro area companies with plenty of funds to spend. Overall, there is evidence that, in recent quarters, euro area non-financial corporations have channelled their funds into activities that were both economic and financial in nature.[5] This was confirmed by the results of the January 2007 bank lending survey in which banks reported that the perceived demand for loans to enterprises was increasingly being driven by the need to finance fixed investment, inventories and working capital, and by M&A activity (see Chart 29). In addition, some evidence indicates that a significant proportion of the loans to non-financial corporations has been used to finance acquisitions of real estate.

FINANCIAL POSITION

In reflection of the further acceleration of the annual growth in the debt financing of non-financial corporations, the sector's overall debt-to-GDP ratio rose to 67% in the fourth quarter of 2006 (see Chart 30). After the preceding period of consolidation, the debt ratios of non-financial corporations are now higher than those recorded at the previous peak in mid-2003, which had followed a sharp increase in debt in the second half of the 1990s. The ratio of debt to the gross operating surplus also increased slightly in the fourth quarter of 2006. Debt developments, together with interest rate developments, have resulted in a significant increase in the interest burden of non-financial corporations in 2006.

5 See also Box 2 entitled "Factors underlying the strong acceleration of loans to non-financial corporations" in the January 2007 issue of the Monthly Bulletin.

Overall, the high rate of growth of debt financing by non-financial corporations, in particular that of MFI loans, indicates that euro area firms have ready access to finance. Despite the recent pick-up of debt ratios and net interest rate payments, the financial situation of non-financial corporations remains favourable on account of both the still low cost of financing and persistently strong profitability.

2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

Household borrowing remained robust in the fourth quarter of 2006, underpinned by still favourable financing conditions and improving consumer confidence. Despite some moderation since the spring of 2006, the growth of MFI loans for house purchase remained strong and continues to explain most of the strength in overall loan growth. Reflecting continued vigorous borrowing growth, the household debt-to-GDP ratio increased further in the fourth quarter of 2006.

FINANCING CONDITIONS

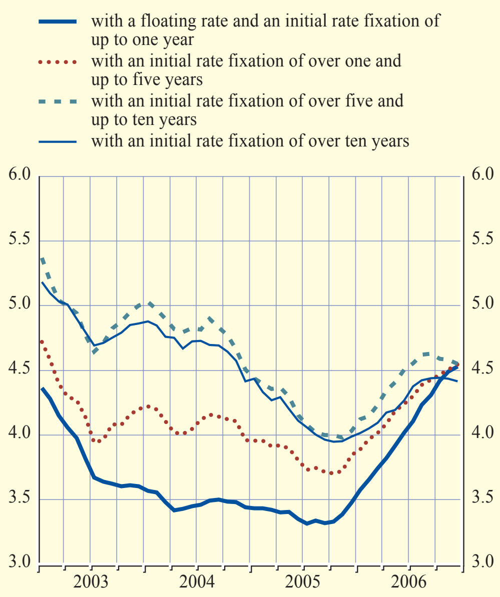
Although the cost of borrowing increased somewhat further in the context of rises in key ECB interest rates, MFI interest rate statistics and the results of the January 2007 bank lending survey[6] suggest that financing conditions for the euro area household sector remained favourable in the fourth quarter of 2006.

MFI lending rates on loans for house purchase with a floating rate and with initial rate fixation periods of up to five years continued to increase in the fourth quarter of 2006 on a quarterly average basis compared with the previous quarter, while longer-term lending rates (interest rates on loans with initial rate fixation periods of more than five years) remained broadly unchanged. As a result, the implied spread between longer-term and shorter-term lending rates was effectively eliminated (see Chart 31). In December 2006 the rate on loans with an initial rate fixation period of over ten years was even somewhat lower than that on loans with a floating rate or an initial rate fixation period of up to one year. The convergence of lending rates on loans with different initial periods of rate fixation appears to have implied a reduction in the new business share of loans with a floating rate or an initial rate fixation period of up to one year (see Box 3 entitled "Changes in bank lending rates and new housing loans in the euro area").

6 See Box 2 entitled "The results of the January 2007 bank lending survey for the euro area" in the February 2007 issue of the Monthly Bulletin.

Chart 31 MFI interest rates on loans to households for house purchase

(percentages per annum; excluding charges; rates on new business; weight-adjusted [1])



Source: ECB.
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin.

In the case of MFI lending rates for consumer credit, developments were different, as rates declined somewhat on a quarterly average basis in the fourth quarter of 2006, compared with the previous quarter. This decline reflects developments in lending rates on loans with a floating rate or a period of initial rate fixation of up to one year and on those with a period of initial rate fixation of more than one year and up to five years, which decreased somewhat in the fourth quarter (by 8 and 18 basis points respectively), while longer-term lending rates remained unchanged. A comparison of the lending rates on loans to households for house purchase and consumer credit with comparable market rates indicates that the respective spreads narrowed somewhat between the third and the fourth quarter of 2006. This suggests that banks have absorbed some of the increase in market rates by reducing their margins, particularly in the case of consumer loans, which may reflect the effect of ongoing structural changes in the respective market. It might also reflect differences in the transmission lags between different types of loans.

The results of the January 2007 bank lending survey indicate, on balance, an easing of the credit standards for the approval of loans to households for both house purchase and consumer credit in the fourth quarter of 2006. According to the banks surveyed, this easing continues to reflect to a large extent competition from other banks and non-bank financial institutions and expectations regarding general economic activity. The deterioration in housing market prospects, which was reported as contributing to a tightening of credit standards during the previous round of the survey, had only a marginal impact in this direction according to results for the fourth quarter.

Box 3

CHANGES IN BANK LENDING RATES AND NEW HOUSING LOANS IN THE EURO AREA

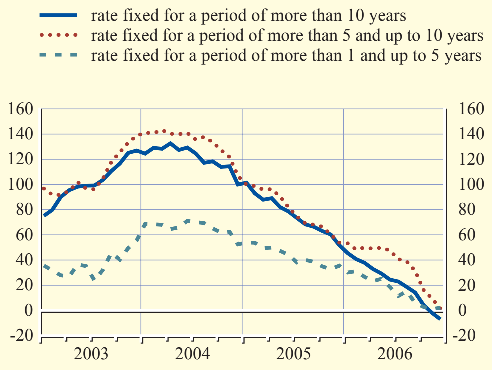
The transmission of monetary policy includes both the pass-through of changes in central bank interest rates to bank lending rates and the impact of changes in bank lending rates on the volumes of lending across the maturity spectrum. Against the background of the increases in the key ECB interest rates since end-2005, this box assesses the extent to which changes in the bank lending rates on loans for house purchase with different periods of rate fixation are reflected in the relative shares of these loans in total new housing loans in the euro area. It uses the information in the euro area MFI interest rate statistics on the bank lending rates on new loans as well as the respective volumes (in terms of gross flows), which is available by purpose of the loans and by period of initial rate fixation.[1]

Nominal lending rates on new loans for house purchase have been on an upward trend in the euro area since the end of 2005, in line with the increases in the key ECB interest rates and market rates, albeit still remaining at low levels by historical standards. The increase in the rate on loans with an initial rate fixation period of up to one year, in particular, has been more pronounced than that in the rates on loans with longer initial rate fixation periods. This is in line with the flattening of the market interest rate yield curve that has been observed during 2006. As a result, the rates on new housing loans have all converged to practically the same level, regardless of the length of the initial rate fixation period, i.e. the spreads between the rates on the different types of loans have almost disappeared (see Chart A).

1 For a description of this dataset, see Box 2 entitled "New ECB statistics on MFI interest rates" in the December 2003 issue of the Monthly Bulletin.

Chart A Spreads between rates on housing loans

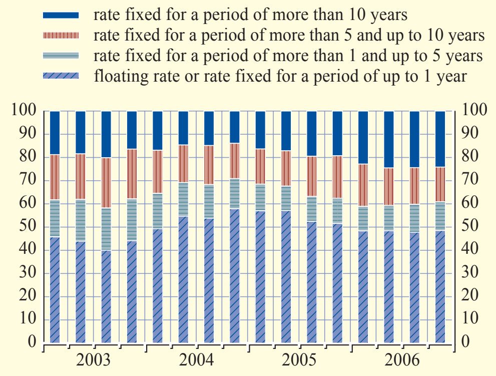
(basis points)



Source: ECB.
Note: The chart shows spreads between rates on housing loans with a longer initial rate fixation period and rates on loans with floating rates or rates fixed for a period of up to one year.

Chart B Breakdown of new loans for house purchase by length of initial rate fixation period

(percentage points)



Source: ECB.

Over the period since 2003, for which euro area MFI interest rate statistics are available, housing loans with a floating rate or a period of initial rate fixation of up to one year (floating rate loans) have formed the largest share of the overall volume of the new business in loans for house purchase. However, their share has fluctuated over this period (see Chart B). It rose from around 40% in the third quarter of 2003 to a peak of approximately 60% in the fourth quarter of 2004 and then gradually declined to its current level of approximately 50%. The increase in the share of floating rate housing loans during the period up to the fourth quarter of 2004 seems to have followed the rise in the spreads between the bank lending rates on this type of housing loans and those on loans with longer periods of initial rate fixation during this period. Similarly, the decline in the share of floating rate loans from the first quarter of 2005 onwards appears to have followed the steady narrowing and eventual elimination of these spreads.

The decrease in the share of floating rate loans from the first quarter of 2005 onwards coincided with a rising share of loans with initial rate fixation periods of more than ten years, to approximately 25% in the fourth quarter of 2006, while the shares of the other two categories (initial rate fixation periods of more than one and up to five years and of more than five and up to ten years) have remained broadly unchanged. Again, this development appears to be linked to the evolution of the respective spreads, as the fall in the spread of loans with initial rate fixation periods of more than ten years vis-à-vis floating rate loans has been more pronounced, particularly during 2006.

The apparent relationship between the evolution of the share of floating rate loans and the developments in the term spread can be interpreted in different ways. It could, for instance, suggest that households choose between a floating rate loan and one with a longer period of initial rate fixation, depending on the initial cost of the different types of mortgage loans. A decision-making process that concentrates on short-term considerations may obviously entail the possibility that households expose themselves to longer-term risks if interest rates increase across the maturity spectrum. Alternatively, the observed relationship could reflect the possibility that households' expectations regarding future interest rates do not always coincide with those of the financial markets. The two explanations could of course be complementary.

However, it should be noted that this analysis only focuses on changes in bank lending rates and does not encompass other factors that may affect household decisions, particularly if they engage in active risk management, taking into consideration not only interest rate risk but also income risk.

In view of the rapid pace of financial innovation in recent years, it cannot be excluded that the evolution of the share of floating rate loans in total new mortgage loans also reflects supply-side developments.[2] These include changes in the underlying structure of countries' financial markets with respect to e.g. the liquidity and depth of covered bond and mortgage-backed securities markets and the availability and pricing of hedging instruments. For example, as the markets for covered bonds and mortgage-backed securities become more liquid, banks tend to finance themselves more by tapping into these long-term financial markets and less through attracting short-term deposits. As a result, they are able to offer loans to households for mortgage financing with longer periods of rate fixation.

To sum up, it appears that the changes in the share of floating rate loans in total mortgage loans since 2003 seem to follow the evolution of the interest rate spreads between loans with varying interest rate fixation periods. However, it should be noted that this pattern masks significant differences across individual countries. These differences reflect inter alia some heterogeneity in both household preferences and supply-side factors such as the general availability and pricing of certain products.

2 See IMF (2004), "Adjustable- or Fixed-Rate Mortgages: What Influences a Country's Choices?", World Economic Outlook, September, Box 2.2.

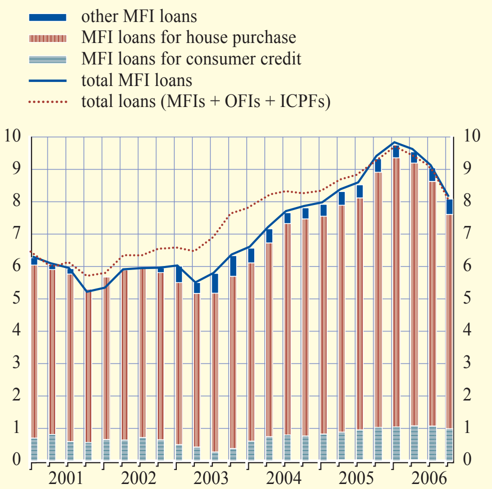
FINANCING FLOWS

The annual growth rate of total loans granted to the euro area household sector by all financial institutions declined further in the third quarter of 2006 (the most recent period for which data are available from the euro area quarterly financial accounts), to 9.1% from 9.5% in the second quarter (see Chart 32), but nonetheless continued to be high by historical standards. This moderation reflects a lower contribution from loans granted by euro area MFIs, which are the main driver of overall household loan growth. The growth rate of loans granted by non-monetary financial institutions, comprising other financial intermediaries (OFIs) and insurance corporations and pension funds (ICPFs), after a period of high levels, converged to that of MFI loans in early 2006 and since then it has on average been lower. In the fourth quarter of 2006, the annual growth of total loans to households is estimated to have registered a further decline.

The MFI data that are available up to January 2007 point to a continuation of the downward trend observed since the spring of 2006 in the annual growth of loans to households, which nevertheless remained at a relatively high level. This ongoing moderation is in particular due to the slowdown in the growth of loans for house purchase, which, however, remained strong. In January 2007 the annual growth rate of loans for house purchase was 9.3%, after 9.5% in the previous month and averages of 10.3% and 11.3% in the fourth and third quarters of 2006 respectively. The moderation in the demand for loans for house purchase is likely to reflect somewhat weaker housing market dynamics, at least in some countries of the euro area. Indeed, the January 2007 bank lending survey recorded a slightly dampening impact of housing market prospects on households' demand for loans for house purchase in the fourth quarter of 2006 for the first time since the survey has been conducted.

Chart 32 Total loans granted to households

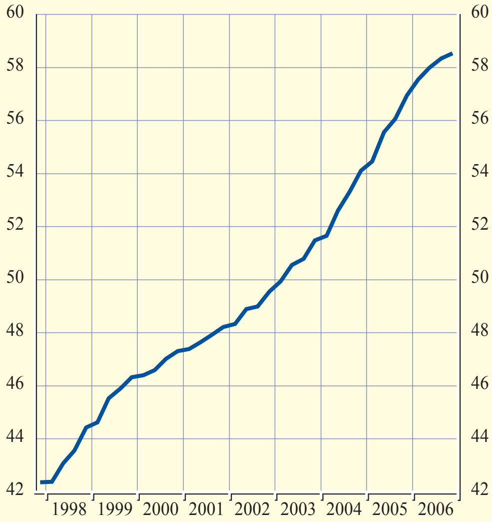
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.
Note: Total loans (MFIs + OFIs + ICPFs) for the fourth quarter of 2006 have been estimated on the basis of transactions reported in money and banking statistics. For information on differences in the calculation of growth rates, see the relevant technical notes.

Chart 33 Ratio of household debt to GDP

(in percentages)



Source: ECB.
Notes: These data, compiled on the basis of the quarterly financial accounts, show the ratio of household debt to GDP as being somewhat lower than would be the case if they were based on the annual financial accounts, mainly because loans granted by banks outside the euro area are not included. Data for the last quarter shown have been partly estimated.

The annual growth rate of consumer credit declined further in January 2007, to 6.9% from 7.8% in the previous month, following averages of 8.0% and 8.5% in the fourth and third quarters of 2006 respectively. The annual growth rate of other lending to households declined marginally to 2.8% in January 2007, but was slightly higher than in the fourth and third quarters of 2006. According to the January 2007 bank lending survey, banks continued to report positive net demand for consumer credit and other lending to households, albeit less so than in the previous quarter, still supported by robust consumer confidence and spending on durable consumer goods.

FINANCIAL POSITION

As borrowing continued to grow strongly, the ratio of household debt to GDP in the euro area is estimated to have increased further, to 58.5% in the fourth quarter of 2006 (see Chart 33). The household sector debt servicing burden (i.e. interest payments plus principal repayments as a percentage of disposable income) is estimated to have increased somewhat in 2005 and – as rising bank lending rates have accompanied continued vigorous loan growth in recent quarters – it is estimated to have risen modestly further in 2006.

3 PRICES AND COSTS

HICP inflation fell slightly to 1.8% in January 2007 and is estimated to have remained at this level in February. The decline in overall inflation in January was mainly the result of a favourable base effect in energy prices, whereas there was upward pressure on non-energy prices, mainly owing to the rise in German VAT in January. The latest signals for producer price developments continue to indicate ongoing price pressures at the firm level. While it appears that wage developments overall remained moderate, labour cost pressures need to be monitored closely. In the short term, headline inflation is likely to show some volatility, owing to base effects. According to the latest ECB staff macroeconomic projections for the euro area, annual average HICP inflation is expected to average between 1.5% and 2.1% in 2007 and between 1.4% and 2.6% in 2008. The balance of risks to the inflation outlook is seen to be on the upside.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR FEBRUARY 2007

Eurostat's flash estimate suggests that overall HICP inflation remained unchanged at 1.8% in February 2007 (see Table 6). No detailed breakdown of the HICP components in February is available yet. It is known, however, that there was no significant base effect.

HICP INFLATION UP TO JANUARY 2007

Following a strong decline in overall HICP inflation, from 2.5% in June to a low of 1.6% in October 2006, owing to the drop in oil prices, overall inflation rose again to 1.9% in November (see Chart 34), largely reflecting an unfavourable base effect in energy prices. After remaining stable in December, headline inflation declined slightly in January 2007, to 1.8%, which was 0.1 percentage point lower than Eurostat's flash estimate, released in late January. The latest movement was mainly a result of a marked decline in the annual rate of change in energy prices on account of a base effect. By contrast, the annual rate of change in the HICP excluding unprocessed food and energy increased to 1.8% in January, after having stood at around 1.5% for almost two years. Consequently, there is currently no gap between headline inflation and HICP inflation excluding unprocessed food and energy.

The annual rate of change in energy prices declined noticeably in January 2007, to 0.9%, from 2.9% in December 2006, largely reflecting the above-mentioned base effect on account of the oil

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

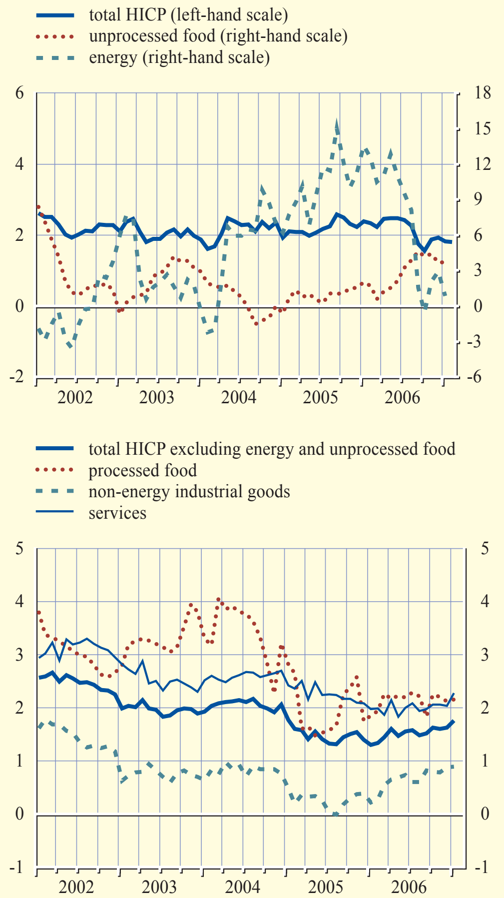
	2005	2006	2006 Sep.	2006 Oct.	2006 Nov.	2006 Dec.	2007 Jan.	2007 Feb.
HICP and its components								
Overall index [1)]	2.2	2.2	1.7	1.6	1.9	1.9	1.8	*1.8*
Energy	10.1	7.7	1.5	-0.5	2.1	2.9	0.9	.
Unprocessed food	0.8	2.8	4.6	4.2	4.4	3.7	3.7	.
Processed food	2.0	2.1	1.8	2.3	2.2	2.1	2.2	.
Non-energy industrial goods	0.3	0.6	0.8	0.8	0.8	0.9	0.9	.
Services	2.3	2.0	2.0	2.1	2.1	2.0	2.3	.
Other price indicators								
Industrial producer prices	4.1	5.1	4.6	4.0	4.3	4.1	2.9	.
Oil prices (EUR per barrel)	44.6	52.9	50.3	47.6	46.7	47.4	42.2	44.9
Non-energy commodity prices	9.4	24.8	26.4	28.7	22.9	17.7	15.6	13.9

Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream.
1) HICP inflation in February 2007 refers to Eurostat's flash estimate.

price increase recorded in early 2006. The fall in oil prices up to mid-January 2007 also led to significant price declines in those energy items which are closely linked to oil, i.e. liquid fuels and petrol. Nevertheless, overall energy prices in the euro area rose between December 2006 and January 2007, which seems to reflect to a great extent the impact of the rise in German VAT at the beginning of this year. In contrast with the decline in energy price pressures, the annual rate of change in unprocessed food prices remained stable, at 3.7%, following its gradual fall over the course of the last quarter of 2006 as the upward impact of adverse summer weather conditions abated.

Chart 34 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

Developments in some of the other less volatile components contributed to upward pressure on the overall HICP in January 2007. In particular, annual services price inflation increased strongly by 0.3 percentage point to 2.3%, which marks a break with a year of relatively stable rates of services price inflation of around 2%. Most of this increase is attributable to a surge in services price inflation in Germany, probably triggered by the VAT increase in the country. The annual rate of change in processed food prices edged up by 0.1 percentage point in January, on the back of a rise in tobacco prices.

In contrast to the acceleration observed in services and processed food prices, the annual rate of change in euro area non-energy industrial goods prices was constant, at 0.9% in January. Although the VAT hike seems to have also affected non-energy industrial goods prices in Germany, this impact was apparently offset at the euro area level by stronger seasonal discounting than in previous years in several euro area countries. Overall, the current assessment is that the change in VAT in Germany was not fully reflected in prices up to January and that some further effects may still occur. However, as explained in Box 4, seasonal price variations make it more difficult to assess inflation developments in the first month of the year. Subsequent HICP releases will have to be analysed carefully in order to draw more firm conclusions on the overall impact of the German VAT hike as well as on any further pass-through effects from previous commodity price increases, which pushed up the annual rate of change in non-energy industrial goods prices over the course of 2006.

Lastly, it should be mentioned that, since January 2007, the euro area aggregate has included Slovenia. In line with the chain-linking formula used by the HICP, the annual rate of change reflects the monthly changes in the 12 euro area member countries up to December 2006 and the 13 member countries since January 2007. Given the small weight of Slovenia in the euro area aggregate (0.3%), the impact of this new country coverage on the annual rate of change in the euro area HICP is nonetheless small. The annual update of the expenditure weights used for the calculation of the HICP also occurred in January 2007, and implied only minor changes, with small increases in the weights of energy, unprocessed and processed food and a decline in the weight of industrial goods excluding energy.

Box 4

A DETAILED LOOK AT HICP CHANGES IN JANUARY EACH YEAR AND A COMPARISON WITH DEVELOPMENTS IN OTHER MONTHS

Given the importance of the HICP in defining the ECB's medium-term objective for price stability, its evolution is analysed in detail each month in an attempt to understand the factors behind the most recent changes in prices. It is particularly useful to identify seasonal, temporary and irregular movements and to disentangle them from more underlying developments. In so doing, however, there is always an element of uncertainty. The January releases of inflation figures are particularly challenging, as seasonal factors, for example sales discounting and unprocessed food price developments, can be especially important in relation to overall price developments in the month. Seasonal fluctuations complicate the analysis, particularly as they can be volatile or evolve over time.[1] Furthermore, other factors with a longer-lasting impact also come into play in January, such as government measures (i.e. changes in administered prices and indirect taxes) and price revisions by companies that for various reasons change their prices only infrequently.[2] This box looks in detail at the pattern of price changes suggested by the disaggregated HICP data in order to see if the pattern of price changes in January 2007 is different from previous years or months and if some signs of longer-term tendencies expected to materialise in the course of 2007 can be identified.

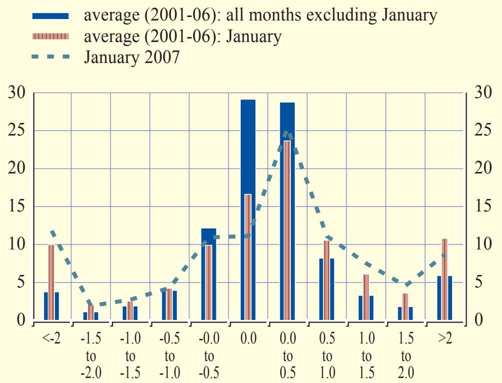
An analysis of detailed HICP data supports the assessment that price changes in January differ notably from other months of the year (see Chart A).[3] Considering first the typical profile of price changes in all months except January over the period 2001-06, Chart A indicates that around 30% of the approximately 1,200 price indices remain unchanged each month, while another 30% increase slightly (by less than 0.5% month on month). A small number (approximately 10%) exhibit large changes, either increasing or decreasing by over 2% in one month. By contrast, in January, the profile of price changes is notably different. Fewer price index series appear to remain unchanged or record small changes (less than 0.5% in absolute terms), while there are significantly more large decreases or increases of over 2% (approximately 20%). The above average number of large declines observed in January appears to be related to the impact of seasonal sales (a similar feature is also observed in July). However, unlike in

1 For more details on the impact of seasonal factors on the HICP, see the box entitled "Seasonal patterns and volatility in the euro area HICP" in the June 2004 issue of the Monthly Bulletin.
2 Work undertaken in the context of the Eurosystem Inflation Persistence Network (IPN) on firms' pricing behaviour has found that January is a key month for firms to both review and change their prices. For further details see the article entitled "Price-setting behaviour in the euro area" in the November 2005 issue of the Monthly Bulletin.
3 Although HICP price data on individual products in the euro area are not available, HICP sub-indices, which are the aggregation of individual product prices, may provide us with some insight into price-setting behaviour. To understand the difference between individual product prices and aggregated price indices consider, for example, the meat price index, which is a sub-component of HICP unprocessed food. The meat index itself is comprised of numerous sub-components (e.g. lamb, beef, chicken), which in turn are the aggregation of price observations of individual specified products in retail outlets in each country.

July, there is also a greater number of price increases above 0.5%. One possible explanation for this could be that administered prices and indirect taxes tend to change in January. However, even when one adjusts for this, a larger number of price increases can still be observed in January compared with the monthly average. This would seem to suggest that more firms may choose January as the month in which to change their prices. This result would have some intuitive backing, as many companies tend to review their situation at the end of the year and this may result in prices being changed at the beginning of the following year.

Chart A Distribution of month-on-month changes in HICP price indices

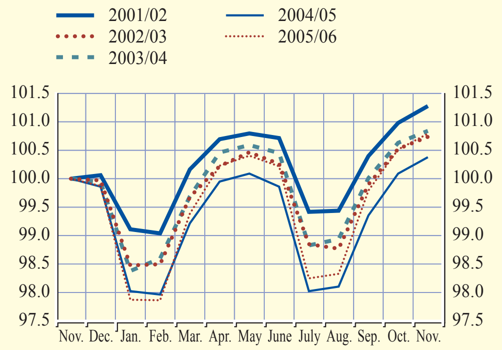
(percentages)



Sources: Eurostat and ECB calculations.
Note: The chart shows the unweighted distribution of month-on-month changes, not seasonally adjusted, in detailed country-level HICP components (i.e. summarising approximately 1,200 price index series).

Chart B Seasonal profile of HICP non-energy industrial goods

(index: November in the earlier year = 100)



Sources: Eurostat and ECB calculations.
Note: The chart illustrates the development of HICP non-energy industrial goods prices over the course of 12 months, taking the November level in the earlier year as the point of reference.

Considering the distribution of price index changes across the broad HICP components (unprocessed food, energy, processed food, non-energy industrial goods and services) confirms that, on average, the pattern of more increases in price indices in January each year than in other months is a widespread phenomenon, as it is observed in each component, with the exception of non-energy industrial goods.

In January 2007 the distribution of price index changes was broadly similar to the average distribution observed in January over the period 2001-06, although slightly more large declines and slightly fewer large increases could be observed. There were also somewhat more increases in the 1%-2% range. Looking in more detail at the HICP main components it appears that the phenomenon of more large declines and fewer large increases is mainly due to developments in both non-energy industrial goods prices and energy prices. Developments in non-energy industrial goods prices relate most probably to deeper seasonal discounting, in particular on prices for clothing and footwear, whereas developments in energy prices reflect recent oil price declines. Looking at individual country developments, there is a clear impact of the change in the standard VAT rate in Germany, with greater than normal increases in price indices observed. However, the impact of increased seasonal discounting is also visible in Germany, with a larger than usual number of price indices declining, particularly for non-energy industrial goods prices.

In the case of non-energy industrial goods it appears that the practice of seasonal discounting predominates in January each year, with approximately 20% of price index series, on average, experiencing a price decline of more than 2%. The pattern of seasonal discounting has become more pronounced in recent years (particularly the sales discounting in January and July and the subsequent rebounds), as can be seen in Chart B. The deepening of the pattern of sales discounting is most evident in the clothing and footwear sectors. In January 2007 clothing and footwear prices declined by approximately 9%, compared with a month-on-month decline of 8% in January 2006. The deepening of sales discounts reflects a combination of factors: statistical (the treatment of sales prices in the HICP), legal (liberalisation of the rules governing sales discounting) and economic (response to demand and competition).

The extent of the seasonal discounting in the month of January does not, however, necessarily provide a clear indication of the profile for the year as a whole. Developments in 2004/05 and 2005/06 provide an illustrative example. Although, there was somewhat deeper discounting in January 2006 compared with January 2005, increases in HICP non-energy industrial goods prices were subsequently stronger in 2006 relative to 2005. However, this relative evolution did not become evident until some months into the year when the extent of the unwinding of the seasonal discounts became clearer. Comparing the seasonal pattern over the years, it is possible to observe some increased volatility in, as well as deepening of, the seasonal discounting pattern, hampering the inference of underlying developments, especially at the beginning of the year.

In summary, although January may be a key month for price changes, understanding developments in this month is more difficult than normal owing to the strong impact of seasonal or one-off factors. This year, despite an observed upward impact on many prices due to the increase in the standard VAT rate in Germany, the distribution of changes in price indices in January in the euro area as a whole was broadly similar to the average observed in previous years. There was also, however, evidence of slightly higher than average large declines in price indices. While some of these were due to energy prices, some also appear to be due to more seasonal discounting in some countries. However, it will take some months before it becomes clearer to what extent these discounts unwind or reflect an ongoing lower level of prices.

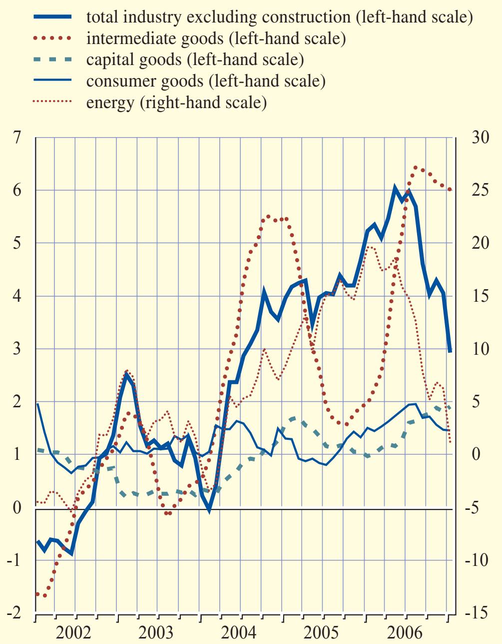
3.2 INDUSTRIAL PRODUCER PRICES

After peaking at 6.0% in July 2006, the annual rate of change in overall industrial producer prices (excluding construction) has followed a downward movement (see Chart 35). However, this decline does not represent a common pattern across the main components, but has been dominated by movements in the energy component. In January 2007 overall industrial producer price inflation declined further, to 2.9%, down from 4.1% in December 2006, again largely as a result of developments in energy prices, reflecting both a significant base effect and the decline in oil prices up to mid-January.

By contrast, the annual rates of change in the non-energy related components of the producer price index have been generally more persistent. For example, the annual rate of change in intermediate goods prices has eased by just 0.4 percentage point since August 2006, to remain at an elevated level of 6.0% in January 2007, reflecting the pass-through of high, although less dynamic than in the past, industrial raw material prices. The annual rate of change in capital goods prices has been

Chart 35 Breakdown of industrial producer prices

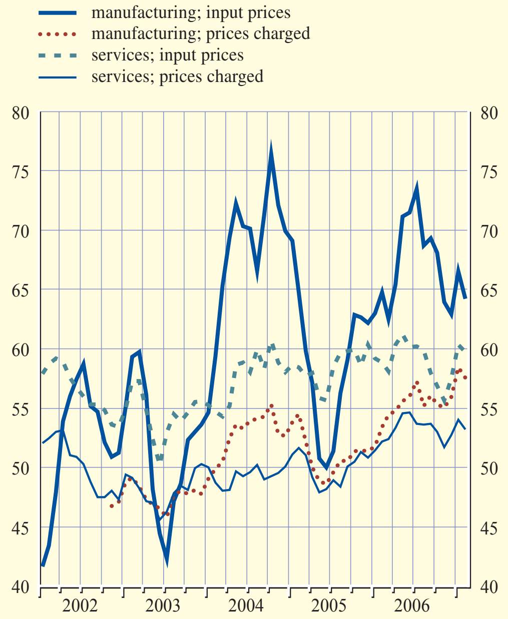
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 36 Producer input and output price surveys

(diffusion indices; monthly data)



Source: NTC Economics.
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease.

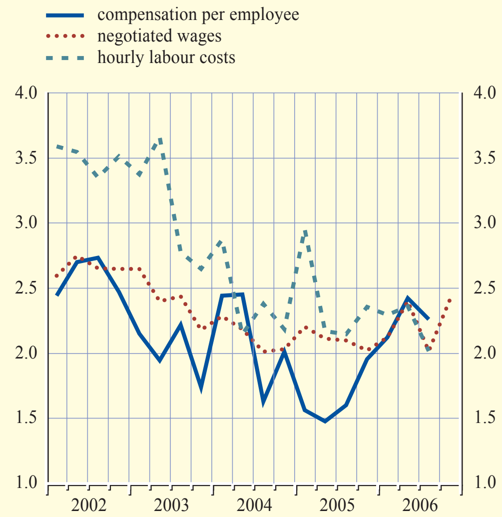
drifting upwards over this period to reach 1.9% in January 2007. Within the consumer goods' sector, the annual rate of increase has been on a declining path since its 2.0% peak in August 2006, and stabilised at 1.5% in January. This has, however, mainly been the result of a deceleration in non-durable consumer goods prices, particularly those of tobacco. By contrast, the annual rate of change in durable consumer goods prices, which is closely linked to price developments in non-energy industrial consumer goods, also picked up further, to 1.9% in January, continuing the upward movement over the course of 2005 and 2006. This may also reflect an ongoing impact of past commodity price increases on prices at the latter stages of production.

Following the decline in oil prices, the input price indicator for the manufacturing sector, as reported by NTC Economics, has overall slowed down since mid-2006 (see Chart 36). Nevertheless, it remained at a level which signals upward pressure and is related to buoyant demand for production goods, such as metals and chemicals, which has not been met by supply. The input price index in the services sector also eased in the second half of 2006, but returned to the high levels observed in the first half of 2006 in January 2007, falling only marginally in February. In this sector, survey respondents mentioned lower energy prices as being the cause of some decreases in input costs, which were, however, offset by a reported pick-up in wage growth.

Despite a slight fall in February, the output price index in the manufacturing sector has been on the rise since mid-2005, while in the services sector it has stabilised at a relatively high level since mid-2006. Strong output price increases demonstrate the ability of firms to pass on rising input costs to their customers in the context of robust demand and a related improvement in pricing

Chart 37 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages do not include Slovenia.

power. Despite the recent declines, all indices are above 50 (the theoretical threshold for unchanged prices), which suggests continued pressure, albeit easing, to increase producer prices. As described in Box 7 of the March 2005 issue of the Monthly Bulletin, entitled "PMI survey data on producer input and output prices", there is generally a close correlation between manufacturing producer prices and manufacturing input and output prices. Owing to the lack of producer price data in the services sector, the input and output price indicators provide a timely and useful insight into price developments in that sector.

3.3 LABOUR COST INDICATORS

Negotiated wage growth continued to be moderate in 2006, despite noticeable volatility. In the last quarter of 2006, negotiated wage growth stood at 2.4%, compared with 2.0% in the third quarter and 2.4% in the second quarter (see Table 7 and Chart 37). The ups and downs in negotiated wage growth in 2006 reflected, to a large extent, the impact of temporary factors in Germany, such as negotiated one-off payments and the discontinuation or postponement of special payments (e.g. holiday pay). The rise in negotiated wage growth in the last quarter of 2006 was again mainly the result of one-off effects, such as the compensation payment for an increase in working hours in a large industrial company and bonus payments in the banking sector, although the latter contains a cyclical element as well. On average in 2006, negotiated wages in the euro area grew by 2.2%, compared with 2.1% in 2005, remaining moderate despite the ongoing economic expansion and probably reflecting the mitigating impact of stern global competition. The other two key indicators, i.e. hourly labour costs and compensation per employee, which are currently only available up to the third quarter of 2006, also suggest that wage growth was moderate overall in 2006. Nevertheless, the recent upward revision of the annual growth rate in compensation per employee, by 0.3 percentage point, to 2.3% in the third quarter of 2006, as well

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2005	2006	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Negotiated wages	2.1	2.2	2.0	2.1	2.4	2.0	2.4
Total hourly labour costs	2.4	.	2.4	2.3	2.4	2.0	.
Compensation per employee	1.6	.	2.0	2.1	2.4	2.3	.
Memo items:							
Labour productivity	0.7	.	1.0	1.2	1.4	1.2	.
Unit labour costs	0.9	.	1.0	0.9	1.0	1.0	.

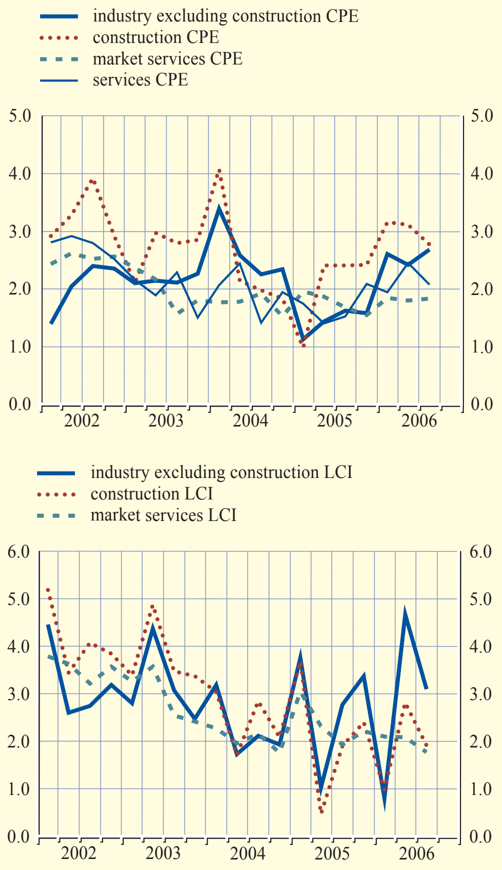
Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages do not include Slovenia.

as the overall volatility in wage data make it more difficult to assess underlying wage dynamics. This calls for a close monitoring of labour cost developments, also in the light of ongoing reporting of wage pressures in the services sector surveys.

At a sectoral level, the gap between wage growth in the industrial and services sector, which has been observed since late 2005, continued unabated, mainly reflecting productivity growth differentials between the two sectors (see Chart 38). This implies that unit labour costs developments in the industrial sector are generally more muted compared with those in the services sector. There is also a substantial and rather persistent gap in wage growth between the euro area member countries, with very subdued wage growth in a few countries and above-average wage growth in several others. As cross-country wage differentials are not always in line with developments in labour productivity, they lead to significant divergences in unit labour cost growth at the country level.

Chart 38 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.
Note: CPE is compensation per employee and LCI is hourly labour cost index.

For the euro area as a whole, unit labour cost growth, at a slightly revised rate of 1.0%, remained relatively subdued up to the third quarter of 2006. This muted rate of increase in euro area unit labour costs, which results from a combination of moderate wage growth and gains in labour productivity, points to low inflationary pressures stemming from the labour market. However, given robust economic growth and favourable developments in euro area labour markets, there is a clear risk of stronger than currently anticipated wage increases and rising labour cost pressures.

3.4 THE OUTLOOK FOR INFLATION

In the short term, headline inflation is likely to show some volatility, largely related to base effects on energy prices. More specifically, should oil prices develop as currently indicated by futures, annual HICP inflation rates are expected to fall by the summer on account of significant favourable base effects. However, this decline would only be temporary, as unfavourable base effects could drive up inflation again later in the year. Overall, the short-term inflation outlook has improved since the December 2006 Eurosystem staff projections but mostly on account of lower oil prices. In the latest ECB staff macroeconomic projections for the euro area, annual average HICP inflation is expected to lie between 1.5% and 2.1% in 2007, and between 1.4% and 2.6% in 2008 (see Box 6).

Although external price pressures have eased compared with those experienced previously, indicators of producer price developments continue to signal ongoing price pressure at the firm level, which might be transmitted to consumer prices. Whereas it appears that wage developments overall remained moderate and inflationary pressures from the labour market are subdued, labour cost developments need to be monitored closely.

Risks to the outlook for price developments are on the upside in the medium to longer term. They include further increases in oil prices and additional increases in indirect taxes and administered prices. More fundamentally, in light of the favourable growth momentum observed recently in the euro area and ongoing improvements in labour market conditions, stronger than currently assumed wage developments would pose significant upward risks to inflation.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The euro area economy gained significant growth momentum in 2006. Annual euro area real GDP grew at 2.8% in 2006, after 1.5% in 2005. At a quarterly frequency, euro area real GDP expanded at 0.9% quarter on quarter in the fourth quarter of 2006, supported by both net trade and domestic demand (excluding inventories). For the first quarter of 2007, the information available suggests some moderation in GDP growth compared with the fourth quarter of 2006, probably related, to a large extent, to the VAT increase in Germany in January 2007. Euro area labour markets displayed significant dynamism in 2006 and the most recent indicators reflect ongoing improvements at the start of 2007. Looking further ahead, euro area real GDP is expected to expand at rates around potential growth. The risks to this favourable outlook are assessed to be balanced over the short term and to lie on the downside over the longer term.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

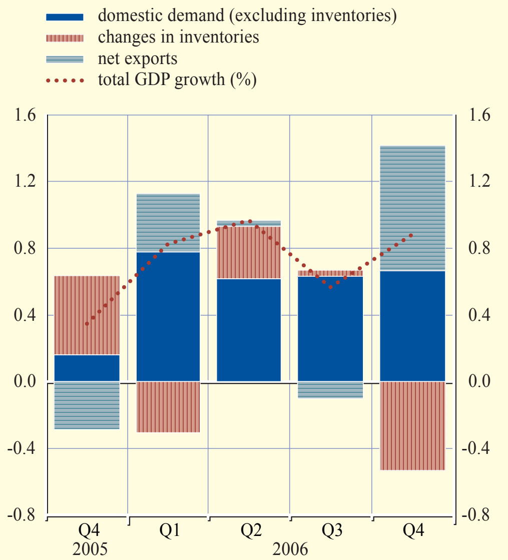
REAL GDP AND EXPENDITURE COMPONENTS

Euro area real GDP growth strengthened significantly in 2006. According to Eurostat, the annual rate of euro area real GDP growth (adjusted for working day effects) was 2.8% in 2006, which followed growth of 1.5% in 2005, and represents the strongest growth rate since 2000. Both net exports and domestic demand (excluding inventories) contributed to the stronger pace of growth in 2006. As regards the former, exports and imports displayed a significant strengthening in growth momentum, while among the latter, in particular, gross fixed capital formation accelerated forcefully.

As regards the fourth quarter of 2006, Eurostat's first estimate of euro area real GDP growth confirmed the flash estimate of 0.9% quarter on quarter. This rate follows growth of 0.6% in the third quarter of 2006, which was revised upwards by 0.1 percentage point. As Chart 39 shows, the strong GDP growth in the fourth quarter reflects large positive contributions from domestic demand (excluding inventories) (0.7 percentage point) and net trade (0.8 percentage point), which were partly compensated for by a significant negative contribution from changes in inventories (-0.5 percentage point). A vigorous acceleration in exports was the main driving force behind the strong growth contribution from net exports, while import growth remained robust, but decreased somewhat from its rate in the third quarter. Among the domestic expenditure components, growth in both private and government consumption decelerated slightly to 0.5% in the fourth quarter. By contrast, investment growth strengthened further to 1.2% from the third quarter. The investment survey by the European Commission, moreover, suggests relatively supportive conditions for investment also in 2007 (see Box 5).

Chart 39 Real GDP growth and contributions

(quarter-on-quarter growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Looking ahead, the strong pace of economic activity in the last quarter of 2006 has also favourable implications as regards the annual rate of growth in 2007. The carry-over effect on average annual real GDP growth in 2007 amounts to 1.2 percentage points, which is significantly above its historical average of 0.8 percentage point since 1996.

Box 5

EUROPEAN COMMISSION INVESTMENT SURVEY

In spring and autumn of each year, the European Commission conducts a survey among companies in the manufacturing industry, collecting information on realised and planned investment (European Commission investment survey). In this survey, firms are requested to reveal their investment expectations for the past and current year (spring survey) or the current and following year (autumn survey). This box presents the euro area results of the "Autumn 2006 survey", which were published on 31 January 2007, and include investment expectations for 2007.

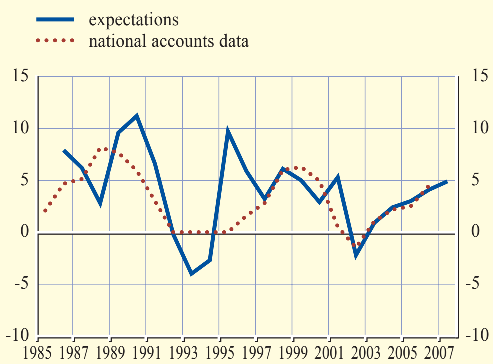
Chart A shows euro area annual investment growth in volumes based on ESA 95 national accounts data[1] and the investment expectations from the European Commission investment survey, using the expectations from the autumn survey of the previous year as the basis. The chart shows that the survey results have captured developments in euro area investment growth reasonably well, in particular since the second half of the 1990s. In 2006 investment grew by 4.5%, in real terms, whereas the survey had predicted investment growth of 4.1%. With regard to 2007, the survey suggests investment growth of about 4.9%.

The European Commission investment survey also provides information on the factors influencing investment, distinguishing between demand, financial, technical (e.g. technological factors and the availability of labour) and other factors (e.g. taxation and the possibility of

1 The data from 1985 to 1991 are calculated using data from the Area Wide Model database which can be downloaded from http://www.ecb.int/pub/pdf/scpwps/ecbwp.zip.

Chart A Investment growth

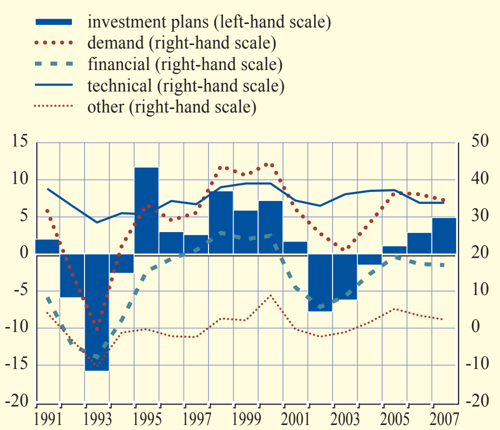
(annual percentage changes in volumes)



Sources: Eurostat, European Commission investment survey and Area Wide Model database.

Chart B Factors influencing investment

(annual percentage changes; percentage balances)



Source: European Commission investment survey.

producing abroad). The questions on factors are of a qualitative nature, indicating which of the factors influenced investment. Data are expressed in percentage balances and therefore do not add up to investment expectations, which are expressed in annual percentage changes (see Chart B).

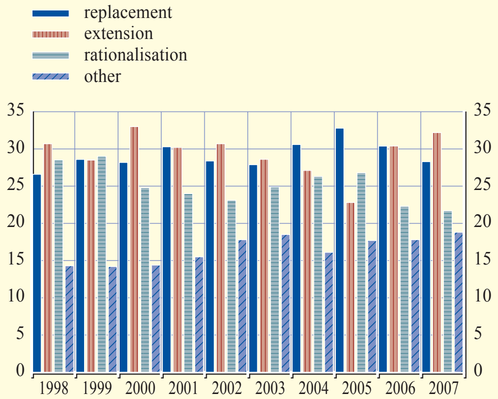
Since 1991 the main factors driving investment in the euro area have been demand and technical factors. Chart B shows that, following the decline in investment growth in 2001, financial conditions were the most important factor behind the gradual recovery in investment, followed by demand conditions. In 2006 and 2007, all factors stabilised or declined, while investment plans kept on increasing, probably owing to an increase in capacity utilisation over the same period.

Looking at the structure of investment, the European Commission investment survey suggests that the largest share of investment in 2006 and 2007 is related to the extension of production capacity (see Chart C). This reflects the fact that during a recovery, firms tend to increase production capacity (see also Box 4 in the May 2006 edition of the Monthly Bulletin). According to the survey, the share of extension investment increased from 23% in 2005 to 30% in 2006, and is expected to increase further to 32% in 2007, its highest level since 2000. This increase happened at the expense of investment in the replacement of worn-out plants or equipment and investment designed to streamline production (rationalisation), which were the main two contributors to improvements in investment from 2003 to 2005. The share of investment for rationalisation stood at its lowest level since the start of the survey in 1991. The category "other", which relates to investment objectives such as pollution control, safety, etc., has increased slightly since 2005.

Finally, the survey provides a breakdown of investment expectations by sector. The table shows that investment in the durable goods sector, which also includes construction, grew by 23% in 2006 and is expected to grow by a further 8% in 2007. In addition, strong investment expectations for 2007 relate to the production of motor vehicles and investment and intermediate goods.

Chart C Investment structure

(shares)



Source: European Commission investment survey.

Investment expectations by sector

(annual percentage changes in volumes)

	2006	2007
Total	3	5
Intermediate goods	6	7
Motor vehicles	-7	14
Investment goods	3	8
Non-durables	2	-1
Food and beverages	5	-11
Durables	23	8

Source: European Commission investment survey.

Overall, the survey provides an indication of a continued relatively favourable investment climate at the current juncture. Financing conditions are still supportive of investment and there is potential for sustained growth in investment in 2007, in line with the latest ECB staff macroeconomic projections for the euro area (see Box 6).

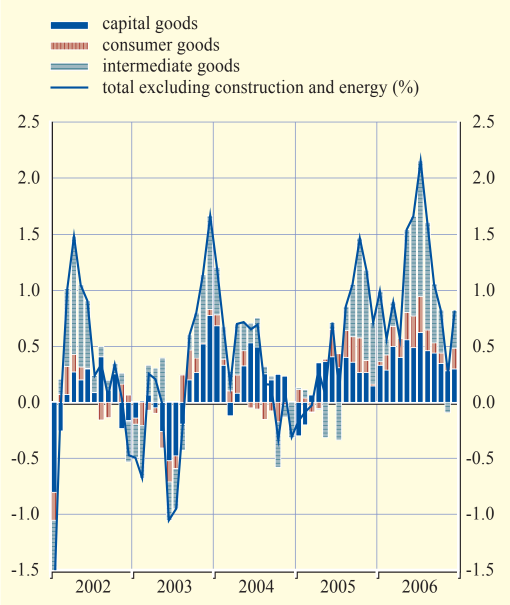
SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The strong value added growth in 2006 was broadly shared across the main economic sectors. In particular, industry and construction rebounded vigorously in 2006. Moreover, services value added growth strengthened forcefully, albeit at a slower pace than in the other two sectors, reflecting its lower cyclical nature. Only value added in agriculture contracted in 2006. All sectors contributed positively to value added growth in the fourth quarter of 2006. Compared with the third quarter, quarterly value added growth strengthened further in the fourth quarter, particularly in construction and agriculture, but also in services (0.6% month on month). Among the services sub-sectors, market services in particular expanded strongly. Value added growth in industry, by contrast, moderated to 0.4% quarter on quarter in the fourth quarter.

Euro area industrial production (excluding construction) has expanded substantially over the past one and a half years (see Chart 40). In December 2006 the level of industrial production (excluding construction) was more than 6% higher than in mid-2005. Among the main industrial groupings, the increase in production over this period was particularly strong in the intermediate and capital goods sectors. The consumer goods sectors and, above all, the production of durables, which had been particularly weak since 2000, also strengthened. Only energy production contracted somewhat over this horizon. In December 2006 industrial production (excluding construction) increased by 1.1% month on month. This increase contributed significantly to the 0.5% quarterly expansion of industrial production (excluding construction) in the fourth quarter of 2006, which nevertheless represents a partial slowdown in growth momentum compared with the previous quarter. With the exception of consumer goods, all main sub-sectors of industrial production (excluding construction), but especially energy production, experienced this slowdown. The strong decline in energy production in the fourth quarter of 2006 was probably related to the unusually warm weather conditions in Europe during this period. The mild temperatures, however, also contributed to the further acceleration in construction production in the fourth quarter, which expanded by 1.9% on the previous quarter. Following several years of lacklustre performance, growth in construction production has recovered over the past one and a half years and has even outpaced growth in industrial production (excluding construction) over this period.

Chart 40 Industrial production growth and contributions

(growth rate and percentage point contributions; monthly data; seasonally adjusted)



Sources: Eurostat and ECB calculations.
Note: Data shown are calculated as three-month moving averages against the corresponding average three months earlier.

New orders, which have been on a firm upward trend over the past one and a half years, point to a continuation of favourable prospects for the industrial sector. They posted a further increase in December 2006 and rose substantially in the fourth quarter as a whole, albeit at a slightly lower rate than in the third quarter. This applies to both total new orders and new orders excluding the volatile category "other transport equipment".

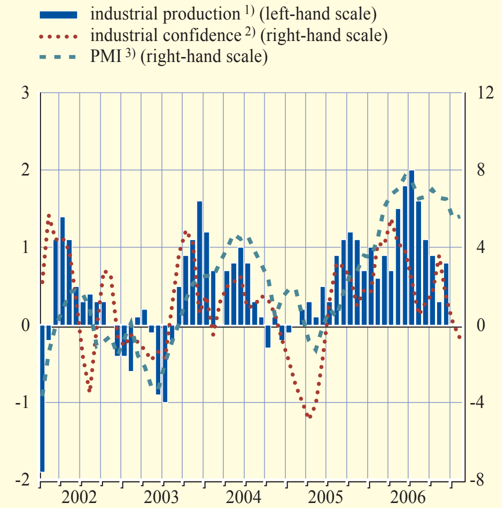
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Business surveys for the industrial and services sectors indicate, overall, persistent growth dynamism in the first two months of 2007, albeit possibly at a slower pace than in the fourth quarter of 2006.

The European Commission's industrial confidence indicator has risen strongly since mid-2005 and reached a very high level at the end of 2006. In January 2007 it declined and then stayed at that level in February. Although this general picture is essentially shared across the main industrial groupings, industrial confidence deteriorated in February in the capital goods sector, was unchanged in the intermediate goods sector and recovered from its previous month's decline in the consumer goods sector. The Purchasing Managers' Index (PMI) for the manufacturing sector also increased strongly between mid-2005 and mid-2006, but has posted some declines since, suggesting some moderation in growth (see Chart 41). In February 2007 it rose marginally and the level of this indicator remains in line with robust growth in the industrial sector. The slight increase in February reflected gains in the output and new orders components, which outweigh some losses in the indices on stock purchases, suppliers' delivery times and employment.

Chart 41 Industrial production, industrial confidence and the PMI

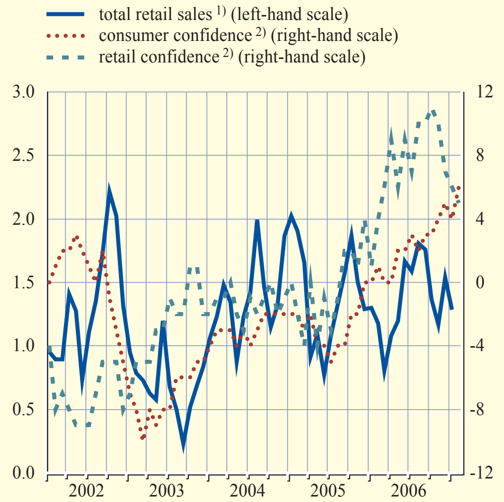
(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.
1) Manufacturing; three-month-on-three-month percentage changes.
2) Percentage balances; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

Chart 42 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month moving averages; working day-adjusted.
2) Percentage balances; seasonally and mean-adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

As regards the services sector, the European Commission confidence indicator also reached a high level by mid-2006 and has been virtually flat thereafter up to February 2007. The unchanged level in February combines improvements in the assessment of past and expected demand, which were compensated for by a deterioration in the assessment of the business climate in this sector. The activity index of the PMI survey for the services sector dropped following its peak reached in June 2006. It has, however, strengthened again over the past few months but posted a slight decline in February.

INDICATORS OF HOUSEHOLD SPENDING

In line with higher real disposable income growth and significant improvements in consumer confidence, euro area private consumption growth strengthened in 2006. The annual rate of private consumption growth was 1.8% in 2006 compared with 1.5% in 2005. On a quarterly basis, private consumption growth was 0.5% in the fourth quarter of 2006, following 0.7% in the third quarter. The joint contribution of cars and retail trade to private consumption growth in the fourth quarter was 0.3 percentage point, i.e. above the historical average. This was based on a particularly strong surge in car sales, while the contribution of retail trade declined compared with the third quarter. The booming demand for cars reflects developments in Germany, as German consumers appear to have brought forward purchases of cars and also other major consumption goods to 2006 on account of the increase in the German VAT rate in January 2007. This appears to have come at the expense of demand at the start of 2007. This pattern is evident in German new passenger car registrations, which fell sharply in January 2007, following the extraordinary increase in the fourth quarter of 2006 and also in the willingness of German consumers to make major purchases as surveyed in the European Commission surveys, which displays a similar picture. On account of the strength of these developments in Germany, a clear and similar pattern is also evident in the euro area figures, with euro area new passenger car registrations falling by 6.4% month on month in January 2007. Moreover, euro area retail sales volumes posted a significant decline of 1.0% in January 2007 compared with the previous month. This decline was broadly based across food and non-food products and mainly reflects developments in Germany.

Euro area consumer confidence continued its upward trend in February 2007, following a small decline in the previous month. The rise in February was based on improved expectations concerning unemployment, the general economic situation and savings, whereas expectations regarding the financial situation deteriorated. Overall, the further increase in euro area consumer confidence in February, at a relatively high level, provides some positive signals concerning the resilience of private consumption growth looking ahead (see Chart 42).

4.2 LABOUR MARKET

The economic expansion has led to significant improvements in euro area labour markets over the past one and a half years. Employment growth has strengthened and the unemployment rate has fallen substantially. Employment expectations point, overall, to the continuation of ongoing improvements in euro area labour market conditions in the fourth quarter of 2006 and at the start of 2007.

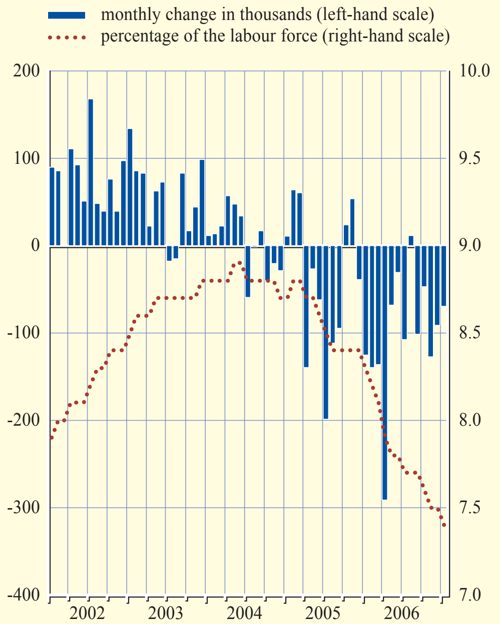
UNEMPLOYMENT

The improvements in the euro area labour markets are particularly visible in the downward path of the euro area unemployment rate over the past two years (see Chart 43). The speed of decline even accelerated in 2006 compared with the previous year. From January 2005 to

January 2007 the euro area unemployment rate fell by 1.3 percentage points, to 7.4%, its lowest level since the beginning of the euro area unemployment series in 1993 (see Chart 43). Over the same horizon the number of unemployed persons fell by almost 1.8 million. Compared with December 2006, the unemployment rate decreased in January 2007 by 0.1 percentage point, which reflects a decline in the number of unemployed of about 70,000. The unemployment rate of persons aged 25 and over fell in January compared with December by 0.1 percentage point, to 6.3%, while the rate for persons aged under 25 rose by 0.1 percentage point, to 16.1%. Over a two-year horizon, however, the unemployment rate has fallen most strongly for the latter group (by 2.1 percentage points), compared with a decline for the former of 1.2 percentage points.

Chart 43 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

EMPLOYMENT

Euro area employment has accelerated to rates between 0.3% to 0.4% quarter on quarter since the last quarter of 2005 (see Table 8). Over the one-year period up to the third quarter of 2006 the number of employed persons in the euro area has risen by more than 2 million. Employment grew briskly over this period in the construction and services sectors, and as regards the latter, particularly in financial and business services. At the same time, the agricultural sector and the industry sector (excluding construction) recorded employment losses, reflecting ongoing structural changes. The improvements in euro area labour markets are also evident in the number of hours worked per employed person. Although part of the adjustment in labour during the past downturn took place in the number of hours worked per employed, intensifying the downward trend, hours worked per employed person have stabilised over the past two years.

Table 8 Employment growth

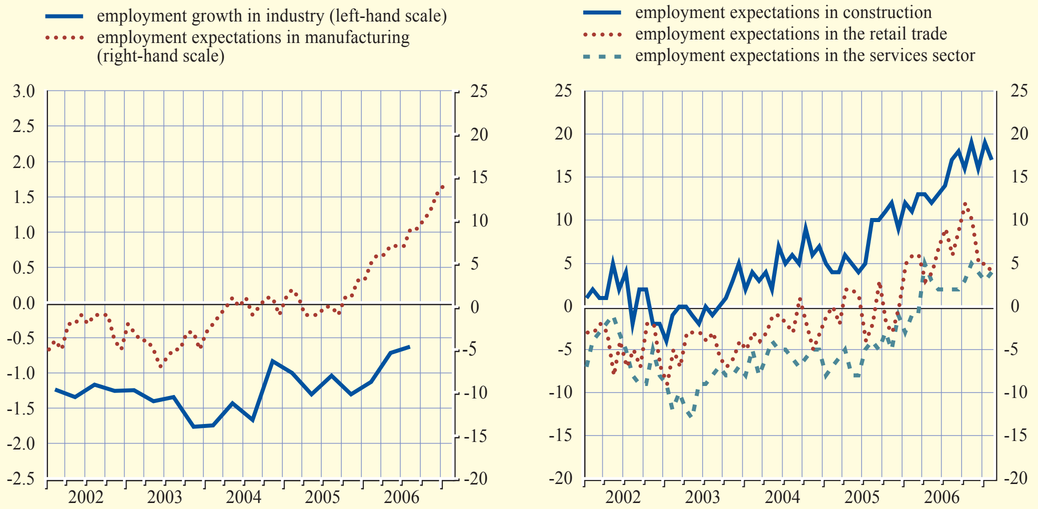
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2004	2005	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
Whole economy	0.7	0.8	0.2	0.4	0.3	0.4	0.4
of which:							
Agriculture and fishing	-1.7	-1.7	0.2	0.1	-0.5	0.7	-1.4
Industry	-0.6	-0.1	-0.1	0.1	0.0	0.2	0.2
Excluding construction	-1.4	-1.2	-0.2	-0.2	-0.3	0.0	-0.1
Construction	1.4	2.6	0.2	1.0	0.6	0.6	0.8
Services	1.4	1.2	0.3	0.4	0.5	0.5	0.5
Trade and transport	0.9	0.8	0.2	0.5	0.3	0.4	0.3
Finance and business	1.9	2.1	0.7	1.1	0.6	1.1	1.1
Public administration	1.5	1.2	0.3	0.1	0.6	0.3	0.5

Sources: Eurostat and ECB calculations.

Chart 44 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



Sources: Eurostat and European Commission Business and Consumer Surveys.
Note: Percentage balances are mean-adjusted.

Survey data provide positive signals concerning employment growth in the fourth quarter of 2006 and at the start of 2007 (see Chart 44). The employment indices for the industrial sector of both the European Commission surveys and the PMI have increased substantially over the past one and a half years. In February 2007 the employment index of the PMI survey declined slightly, whereas employment expectations according to the Commission surveys were practically flat. Overall, these developments point to ongoing gradual improvements in labour market conditions in the industrial sector. As regards the services sector, employment indices from both surveys also rose significantly between mid-2005 and mid-2006, but were relatively flat thereafter. In February employment expectations from the European Commission surveys climbed further, while the employment index of the PMI fell slightly, but remains in line with ongoing robust employment growth in this sector.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area real GDP expanded at a rate above potential growth in the last quarter of 2006, driven by both net trade and domestic demand (excluding inventories). As regards the first quarter of 2007, the information available so far points overall to some moderation in GDP growth compared with the fourth quarter of 2006, most likely related to the VAT increase in Germany at the start of 2007. Looking further ahead, euro area real GDP is expected to expand at rates around potential growth. The latest ECB staff macroeconomic projections for the euro area point to average annual real GDP growth between 2.1% and 2.9% in 2007 and between 1.9% and 2.9% in 2008 (see Box 6). The risks to this favourable outlook are assessed to be balanced over the short term and to lie on the downside over the longer term. They relate to a renewed surge in oil prices, a potential rise in protectionist pressures and a possible disorderly unwinding of global imbalances.

Box 6

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 23 February 2007, ECB staff have prepared projections for macroeconomic developments in the euro area.[1] Average annual real GDP growth is projected to be between 2.1% and 2.9% in 2007 and between 1.9% and 2.9% in 2008. The average rate of increase in the overall HICP is projected to be between 1.5% and 2.1% in 2007 and between 1.4% and 2.6% in 2008.

Technical assumptions about interest rates, exchange rates, oil prices and fiscal policies

The technical assumptions about interest rates and both oil and non-energy commodity prices are based on market expectations, with a cut-off date of 13 February 2007. With regard to short-term interest rates as measured by the three-month EURIBOR, market expectations are measured by forward rates, reflecting a snapshot of the yield curve at the cut-off date.[2] This implies an increase from the mid-February level of 3.8% to averages of 4.2% in 2007 and 4.3% in 2008. The market expectations for euro area ten-year nominal government bond yields imply a flat profile around the mid-February level of 4.1%, with an average of 4.2% in 2007 and 2008. On the basis of the path implied by futures markets in the two-week period ending on the cut-off date, annual average oil prices are assumed to be USD 59.9 per barrel in 2007 and USD 63.4 per barrel in 2008. The average annual increase in non-energy commodity prices in US dollars is assumed to be 14.5% in 2007 and 5.0% in 2008.

The technical assumption is made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.30 and an effective exchange rate of the euro that is 1.7% higher than the average for 2006.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are very likely to pass the legislative process.

Assumptions with regard to the international environment

The external environment of the euro area is expected to remain favourable over the projection horizon. While real GDP growth in the United States is projected to be somewhat lower than in recent years, real GDP growth in emerging Asia is expected to remain well above the global average, and growth in most other large economies is also projected to remain dynamic.

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and the euro area NCBs on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences.

2 This box includes a methodological note on the possible differences between the market-based short-term interest rate assumptions used in the projection exercises and EURIBOR futures rates.

Overall, annual growth in world real GDP outside the euro area is projected to average about 5.1% in 2007 and 5.0% in 2008. Growth in the euro area's external export markets is projected to be about 5.5% in 2007 and 6.9% in 2008.

Real GDP growth projections

Following the exceptionally high growth in euro area real GDP in 2006, with Eurostat's first estimate for the fourth quarter of the year indicating a quarter-on-quarter growth rate of 0.9%, GDP is projected to expand over the horizon at quarterly growth rates of around 0.6%. Against this background, it is projected that average annual real GDP growth will be between 2.1% and 2.9% in 2007 and between 1.9% and 2.9% in 2008. Among the driving factors, export growth is expected to continue to support economic activity, despite some competitiveness losses, as foreign demand is assumed to continue to grow at a robust pace. Private consumption is projected to increase broadly in line with real disposable income, which is expected to benefit in particular from improvements in the labour market. Total fixed investment growth is projected to continue at a robust pace, in a context of continued favourable financing conditions, high profits and favourable demand prospects.

Table A Macroeconomic projections for the euro area

(average annual percentage changes) [1), 2)]

	2006	2007	2008
HICP	2.2	1.5-2.1	1.4-2.6
Real GDP	2.8	2.1-2.9	1.9-2.9
Private consumption	2.0	1.8-2.4	1.6-3.0
Government consumption	2.3	0.8-1.8	1.0-2.0
Gross fixed capital formation	4.9	2.4-5.0	1.9-5.1
Exports (goods and services)	8.3	4.7-7.7	4.1-7.3
Imports (goods and services)	7.9	3.7-7.1	4.2-7.6

1) For each variable and horizon, the range is based on the average absolute difference between actual outcomes and previous projections by euro area central banks. The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.
2) Slovenia is included in the euro area projections as of 2007. The annual percentage changes for 2007 are based on a euro area composition that includes Slovenia already in 2006. The weight of Slovenia in euro area GDP is approximately 0.3%.

Price and cost projections

The average rate of increase in the overall HICP is projected to be between 1.5% and 2.1% in 2007 and between 1.4% and 2.6% in 2008. In line with the oil price assumptions, as derived from current oil futures prices, the contribution from increasing energy and non-oil commodity prices to consumer price developments is expected to be relatively minor. At the same time, the projections are based on the expectation that wage growth will increase somewhat over the projection period. As labour productivity growth is projected to remain roughly stable, this implies a projection of increasing unit labour cost growth over the horizon. A major factor affecting HICP inflation in 2007 is higher indirect taxes (with an aggregate euro area contribution of 0.5 percentage point to HICP inflation). For 2008, by contrast, no effects from indirect taxes are currently embedded in the projections. Finally, the HICP projections are based on expectations of still steady, albeit slightly declining, growth in profit margins.

Comparison with the December 2006 projections

Compared with the Eurosystem staff macroeconomic projections published in the December 2006 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2007 and 2008 have been adjusted slightly upwards, reflecting mostly the positive outcome for GDP in the second half of 2006 and lower energy prices than previously assumed.

The new range projected for the annual rate of increase in the overall HICP in 2007 is within the lower part of the range of the December 2006 projections, reflecting mainly the assumption of lower energy prices. The range for 2008 has been shifted upwards, reflecting the assumption of slightly stronger wage pressures than in the December 2006 exercise.

Table B Comparison with the December 2006 projections

(average annual percentage changes)

	2006	2007	2008
Real GDP – December 2006	2.5-2.9	1.7-2.7	1.8-2.8
Real GDP – March 2007	2.8	2.1-2.9	1.9-2.9
HICP – December 2006	2.1-2.3	1.5-2.5	1.3-2.5
HICP – March 2007	2.2	1.5-2.1	1.4-2.6

Methodological note on the short-term interest rate assumptions used in the projection exercises

The market-based short-term interest rate assumptions used in the Eurosystem/ECB staff macroeconomic projection exercises are three-month forward rates computed from a zero-coupon yield curve estimated using the Nelson-Siegel-Svensson method, a method commonly employed by central banks to estimate yield curves.[3]

These interest rate assumptions can therefore diverge somewhat from EURIBOR futures rates, which market participants often use as indicators of future short-term interest rates. The ECB chose to use forward rates because EURIBOR futures contracts are liquid only up to the three-year horizon, and for some model simulations the full path of short-term interest rates up to the ten-year horizon is needed. Additionally, a consistent calculation of short-term and long-term interest rate assumptions in the projection exercises requires the whole yield curve up to ten-year maturity.

Differences between the forward and futures rates are mainly due to different quoting conventions for EURIBOR futures rates and Reuters zero coupon swap rates, which are used as input for fitting a euro area swap curve using the Nelson-Siegel-Svensson method. Differences relate notably to compounding conventions and day count conventions.

As regards compounding conventions, interest rates which refer to a period of less than a year, for example three-month forward rates, are usually expressed in per annum terms and thus need to be annualised. The forward rates used by ECB staff are computed as compounded rates,

3 See "Zero-coupon yield curves: technical documentation", BIS Papers No 25, Bank for International Settlements, 2005.

which means that they take "interest on interest" into account. By contrast, EURIBOR rates are quoted as simple rates. Simple rates are lower (at about 5 basis points at the current level of interest rates) than comparable compounded rates.

Another relevant interest rate convention is related to the assumed length of a year. Zero coupon swap rates provided by Reuters are quoted as actual/actual. This means that a given period is annualised by assuming a year has 365 days (or 366 days in leap years). EURIBOR rates, by contrast, are quoted as actual/360. They are therefore slightly lower (about 6 basis points at present) than comparable zero coupon rates.

Overall, the difference in quoting conventions causes the interest rate assumptions used for the projections to be some 10 basis points higher than EURIBOR futures rates at present. In this context, it is important to stress again that these interest rate assumptions are computed mechanically from the yield curve and do not contain any judgemental factors.

5 FISCAL DEVELOPMENTS

Fiscal developments in the euro area were relatively favourable in 2006, largely on the back of strong output growth and revenue windfalls. On the basis of the budgetary targets set out in the stability programme updates at the end of 2006, the average deficit ratio for the euro area is expected to decline further in 2007 and beyond, mainly owing to progress with fiscal consolidation. However, in a number of euro area countries, planned fiscal consolidation towards medium-term budgetary objectives is only modest, despite favourable economic prospects, and in some cases concrete and effective measures are still lacking. Furthermore, most countries will have to face significant ageing-related public expenditure increases in the coming decades, which will call for more determined expenditure-based consolidation efforts as part of economic and fiscal reform programmes that are both credible and comprehensive.

FISCAL DEVELOPMENTS IN 2006

According to the updated stability programmes that were submitted by the euro area countries at the end of 2006, fiscal developments in the euro area were relatively favourable in 2006. These stability programme updates point to an average fiscal deficit for the euro area of 2.1% of GDP in 2006, compared with 2.4% in 2005 (see Table 9). The decline in the deficit was somewhat smaller than envisaged in the European Commission's autumn 2006 forecast, despite stronger than projected budgetary improvements in several countries, owing to a major deficit-increasing temporary measure in Italy. Nevertheless, on account of stronger than expected economic growth and fiscal revenues, the euro area budget deficit is estimated to have been around 0.2 percentage point of GDP lower than the figure envisaged in the previous round of stability programme updates.

The latest stability programme updates also indicate that the euro area countries subject to an excessive deficit procedure in 2006 appear to have met their targets, with the exception of Italy, which failed to meet its target owing to deficit-increasing temporary factors. Germany and Greece have indicated that in 2006 they reduced their fiscal deficits to below the reference value of 3% of GDP, while Portugal has reported a deficit well above the reference value, albeit in line with its commitments. France's budget deficit remained below the reference value and, as a result, its excessive deficit procedure was abrogated in January 2007. In the case of the other euro area countries, significant budgetary imbalances remained in Luxembourg and Slovenia, while balanced or surplus budgetary positions were recorded by Belgium, Ireland, Spain, the Netherlands and Finland. Austria has not yet submitted its stability programme update.

The favourable developments in public finances for the euro area were mainly the result of strong output growth, revenue windfalls and, to a lesser extent, effective fiscal consolidation. At the aggregate level, the improvement in the structural balance in 2006 averaged 0.4% of GDP. This figure may overstate the underlying adjustment effort, the computation of which is affected by the above-mentioned revenue windfalls.

Against the backdrop of these favourable developments in budget balances, the average euro area public debt ratio declined in 2006, for the first time since 2002, to slightly below 70% of GDP. This in turn reflected declines in debt ratios in the majority of countries, with the notable exceptions of Italy and Portugal.

Table 9 The updated stability programmes of the euro area countries

	Real GDP growth rate (percentages)					Budget balance ratio (percentages of GDP)					Debt ratio (percentages of GDP)				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Belgium															
Update of December 2005	2.2	2.1	2.3	2.2	-	0.0	0.3	0.5	0.7	-	90.7	87.0	83.0	79.1	-
Update of December 2006 [1]	2.7	2.2	2.1	2.2	2.2	0.0	0.3	0.5	0.7	0.9	89.4	85.6	82.1	78.3	74.3
Germany															
Update of February 2006	1½	1	1¾	1¾	-	-3.3	-2½	-2	-1½	-	69	68½	68	67	-
Update of December 2006	2.3	1½	1¾	1¾	1¾	-2.1	-1½	-1½	-1	-½	68	67	66½	65½	64½
Ireland															
Update of December 2005	4.8	5.0	4.8	-	-	-0.6	-0.8	-0.8	-	-	28.0	28.2	28.3	-	-
Update of December 2006	5.4	5.3	4.6	4.1	-	2.3	1.2	0.9	0.6	-	25.1	23.0	22.4	21.9	-
Greece															
Update of December 2005	3.8	3.8	4.0	-	-	-2.6	-2.3	-1.7	-	-	104.8	101.1	96.8	-	-
Update of December 2006	4.0	3.9	4.0	4.1	-	-2.6	-2.4	-1.8	-1.2	-	104.1	100.1	95.9	91.3	-
Spain															
Update of December 2005	3.3	3.2	3.2	-	-	0.9	0.7	0.6	-	-	40.3	38.0	36.0	-	-
Update of December 2006	3.8	3.4	3.3	3.3	-	1.4	1.0	0.9	0.9	-	39.7	36.6	34.3	32.2	-
France [2]															
Update of January 2006	2.3	2¼	2¼	2¼	-	-2.9	-2.6	-1.9	-1.0	-	66.0	65.6	64.6	62.8	-
Update of December 2006	2.3	2.3	2¼	2¼	2¼	-2.7	-2.5	-1.8	-0.9	0.0	64.6	63.6	62.6	60.7	58.0
Italy															
Update of December 2005	1.5	1.5	1.7	1.8	-	-3.5	-2.8	-2.1	-1.5	-	108.0	106.1	104.4	101.7	-
Update of December 2006	1.6	1.3	1.5	1.6	1.7	-5.7 [5]	-2.8	-2.2	-1.5	-0.7	107.6	106.9	105.4	103.5	100.7
Luxembourg															
Update of November 2005	4.4	4.9	4.9	-	-	-1.8	-1.0	-0.2	-	-	9.6	9.9	10.2	-	-
Update of November 2006	5.5	4.0	5.0	4.0	-	-1.5	-0.9	-0.4	0.1	-	7.5	8.2	8.5	8.5	-
Netherlands															
Update of December 2005	2½	2½	2¼	-	-	-1.5	-1.2	-1.1	-	-	54.5	53.9	53.1	-	-
Update of November 2006	3¼	3	1¾	1¾	-	0.1	0.2	0.3	0.9	-	50.2	47.9	46.3	44.2	-
Austria [3]															
Update of November 2005	1.8	2.4	2.5	-	-	-1.7	-0.8	0.0	-	-	63.1	61.6	59.5	-	-
Portugal															
Update of December 2005	1.1	1.8	2.4	3.0	-	-4.6	-3.7	-2.6	-1.5	-	68.7	69.3	68.4	66.2	-
Update of December 2006	1.4	1.8	2.4	3.0	3.0	-4.6	-3.7	-2.6	-1.5	-0.4	67.4	68.0	67.3	65.2	62.2
Slovenia															
Update of December 2005	4.0	4.0	3.8	-	-	-1.7	-1.4	-1.0	-	-	29.6	29.8	29.4	-	-
Update of December 2006	4.7	4.3	4.2	4.1	-	-1.6	-1.5	-1.6	-1.0	-	28.5	28.2	28.3	27.7	-
Finland															
Update of November 2005	3.2	2.6	2.3	2.1	-	1.6	1.6	1.5	1.5	-	41.7	41.1	40.6	40.1	-
Update of November 2006	4.5	3.0	2.9	2.6	2.1	2.9	2.8	2.7	2.7	2.4	39.1	37.7	36.2	35.0	33.7
Euro area [4]															
Update of 2005-06	2.1	2.0	2.3	-	-	-2.3	-1.8	-1.4	-	-	70.8	69.5	68.3	-	-
Update of 2006-07	2.6	2.2	2.2	2.2	-	-2.1	-1.4	-1.1	-0.5	-	69.4	67.7	66.3	64.8	-

Sources: The updated stability programmes for 2005-06 and 2006-07, and ECB calculations.
1) Includes the one-off debt assumption from the national railway company, in line with the Eurostat ruling.
2) The latest stability programme update indicates a real GDP growth rate of between 2.0% and 2.5% for both 2006 and 2007. In the previous update, the ranges were 1.5% to 2.0% for 2005 and 2.0% to 2.5% for 2006.
3) The Austrian stability programme update for 2006 is not yet available.
4) The euro area aggregate is calculated as a weighted average of the data available for individual countries and includes Slovenia for the period 2006-07. Data from the European Commission's autumn 2006 forecast for Austria have been used in the calculation of the aggregates.
5) This figure includes the cancellation of the national railway company's debt.

FISCAL PLANS FOR 2007 AND BEYOND

On the basis of the budgetary targets set out in the stability programme updates at the end of 2006, the fiscal deficit of the euro area is expected to decline to 1.4% in 2007, and to 1.1% and 0.5% in 2008 and 2009 respectively (see Table 9). The euro area's public debt-to-GDP ratio is expected to decline to below 65% in 2009, mainly on account of higher primary budget surpluses.

With real GDP growth assumed to be around trend, the improvement in the euro area's budget balance is expected to be mainly structural, also reflecting the end of the effect of deficit-increasing temporary measures, notably in Italy. The cyclically adjusted euro area budget balance – net of one-off and other temporary measures – is expected to improve by around 0.4% of GDP in 2007 and by slightly less in 2008.

Planned fiscal consolidation is focused primarily on the expenditure side, more than compensating for an anticipated decline in the average revenue-to-GDP ratio for the euro area. Compared with last year's stability programme updates, however, revenue and expenditure projections are generally somewhat higher, implying that expected revenue windfalls are likely to be earmarked – at least in part – for additional spending.

All countries currently subject to an excessive deficit procedure have reported that they have already corrected or plan to correct this situation within the set deadlines; Italy and Portugal have indicated that their deficit ratios will fall below the 3% ceiling in 2007 and 2008 respectively.

According to the updated stability programmes, Slovenia will meet its medium-term objective by 2009, and France and Portugal will do so by 2010, while in the case of Germany, Greece and Italy this is foreseen at a later date. The remaining euro area countries plan to continue to achieve their medium-term objectives, or to achieve them by 2008 at the latest.

ASSESSMENT OF MEDIUM-TERM PLANS

The stability programmes must be assessed against the requirements of the Treaty establishing the European Community and the revised Stability and Growth Pact (see Box 7). A key obligation remains the avoidance – or timely correction – of excessive deficits, together with the provision of a safety margin with regard to the deficit limit of 3% of GDP and the attainment of sound budgetary positions as reflected in countries' medium-term objectives. Furthermore, the revised Stability and Growth Pact and Code of Conduct place greater emphasis on the sustainability of public finances, notably in relation to expected public debt developments and the fiscal costs of population ageing.

Box 7

THE FISCAL POLICY REQUIREMENTS OF THE TREATY ESTABLISHING THE EUROPEAN COMMUNITY AND THE STABILITY AND GROWTH PACT

Member States' stability programmes must be assessed against the fiscal policy requirements of the Treaty establishing the European Community (hereafter "the Treaty") and the Stability and Growth Pact. This box provides a summary of the principal requirements.

1. *The avoidance – or timely correction – of excessive deficits.* Article 104(1) of the Treaty requires that Member States avoid excessive government deficits. The question of whether

or not a deficit is excessive is assessed in terms of deficit and debt ratios, for which the reference values of 3% and 60% of GDP respectively apply. If a deficit is deemed to be excessive, the EU Council (ECOFIN) issues a recommendation for corrective action to the Member State concerned; if the Member State fails to comply, the Council will then issue a notice. In its recommendation (or its notice), the Council establishes a deadline for the correction of the excessive deficit. To this end, the Member State is normally requested to achieve an annual improvement of at least 0.5% of GDP in its cyclically adjusted budget balance net of one-off and other temporary measures. Where appropriate, the required adjustment may be considerably more than this.

2. *The medium-term budgetary objective.* Under the revised Pact agreed in March 2005, each Member State sets its own medium-term objective for its budgetary position, expressed in cyclically adjusted terms net of one-off and other temporary measures. The medium-term objective should aim to: i) provide a safety margin with regard to the reference value of 3% of GDP for the deficit ratio; ii) ensure rapid progress towards sustainable public finances; and iii) without prejudice to those first two objectives, allow room for budgetary manoeuvre, taking account of the need for public investment. In the case of Member States that have adopted the euro (and also Member States participating in ERM II), medium-term objectives should lie within a range of between -1% of GDP and "in balance or surplus". These objectives should be set taking particular account of a Member State's debt-to-GDP ratio and potential growth (i.e. medium-term objectives should be more ambitious for countries with higher debt ratios and lower potential growth). The intention is also that implicit liabilities (relating to increasing public expenditure in the light of ageing populations) should be taken into account as soon as appropriate criteria and modalities for doing so have been agreed by the ECOFIN Council.

3. *The adjustment path towards the medium-term objective.* Member States that have not yet achieved their medium-term objectives are required to take steps to do so over the cycle. As a benchmark, Member States should pursue an annual improvement in their cyclically adjusted budget balance – net of one-off and other temporary measures – of 0.5% of GDP. The adjustment effort should be higher in good times, but can be more limited in bad times. Temporary deviations from the medium-term objective and from the adjustment path may be permitted in order to help finance major structural reforms that have a positive and verifiable impact on the long-term sustainability of public finances.

From this perspective, the medium-term plans reflected in the updated stability programmes do not dissipate concerns surrounding the fiscal outlook. The budgetary targets and adjustment plans submitted by some countries are disappointing and, consequently, the improvement in the underlying budgetary situation in the euro area is expected to be slower than would have been desirable, given the favourable macroeconomic outlook. Considerable risks also remain owing to the backloading of adjustment efforts and, in some cases, a lack of well-specified and credible consolidation measures. Further concrete progress in pursuing social security and institutional reforms as part of comprehensive economic and fiscal reform programmes is warranted.

Of those countries still in an excessive deficit situation, Germany plans to reduce its fiscal deficit to ½% of GDP in 2010 by means of its VAT increase in 2007 and continued moderation in spending. However, the planned deficit improvement of less than 0.5% of GDP per year after 2007 is not ambitious enough, also in view of the expected favourable growth outlook. Moreover, the medium-term objective of a balanced budget will not be achieved within the stability programme horizon.

With regard to Greece, existing discrepancies between deficit and debt developments, as well as significant uncertainty about the recording of some temporary measures, could mean that there is a risk of renewed statistical revisions to 2006 figures. For 2007 and beyond, the stability programme update targets structural improvements of around 0.5% of GDP per year. There are considerable implementation risks owing to a lack of well-specified measures, and the target date of 2012 at the latest for attaining the medium-term objective (of a budget close to balance or in surplus) is unambitious.

In the case of Italy, on account of the expiry of large one-off measures and the consolidation effort implied by the 2007 budget law, its deficit is expected to decline below 3% of GDP in 2007, in line with Italy's commitment under its excessive deficit procedure. Thereafter, the stability programme envisages an average annual improvement of 0.7% of GDP in structural terms. The medium-term objective of a balanced budget would be attained only by 2011. Risks relate to the implementation of measures contained in the 2007 budget and a lack of information about the corrective measures planned for 2008 and beyond.

Portugal's updated stability programme foresees the correction of its excessive deficit by 2008 and further significant progress towards achieving the country's medium-term objective by 2010. The main risks to this scenario concern less favourable macroeconomic developments and the budgetary impact of expenditure-reducing measures.

As regards euro area countries not yet in safe budgetary positions, the updated stability programmes of France and Slovenia point to backloaded adjustment strategies with risks on the expenditure side. The other countries are expected to attain or maintain sound budgetary positions, although in some instances there is a risk of pro-cyclical fiscal policies, notably owing to strong expenditure growth.

RECOMMENDED FISCAL STRATEGIES

Against the background of significant remaining imbalances in a number of euro area countries and the current economic "good times", it remains of the essence to sustain the momentum of improving public finances and to accelerate the pace of budgetary consolidation so that all countries of the euro area achieve, within the programme horizons and by 2010 at the latest, their medium-term objective of a sound fiscal position. Consolidation measures have the best chance of success when they are based on credible and comprehensive medium-term strategies with a focus on reducing expenditure rather than increasing revenues.

Excessive deficits should be corrected as soon as possible – and in any case within the horizons recommended by the EU Council (ECOFIN) – by carrying out the agreed consolidation. Moreover, medium-term objectives need to be in line with current and future challenges to the sustainability of public finances, and their attainment should be speeded up, together with consolidation efforts, beyond the minimum requirements of the revised Stability and Growth Pact. Revenue windfalls need to be used for more rapid deficit and debt reduction. In the past, such windfalls have often been mistaken for permanent revenue and used to finance higher expenditure or tax cuts, contributing to mounting and persistent fiscal imbalances.

Finally, most countries urgently need to reduce their fiscal vulnerability in view of the significant ageing-related expenditure increases anticipated in the coming decades. These call for more determined consolidation efforts as part of economic and fiscal reform programmes that are both credible and comprehensive. Well-designed reforms of tax benefit systems and improvements in the quality of public spending enhance economic incentives and will support not only output and employment growth, but also fiscal sustainability.

6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

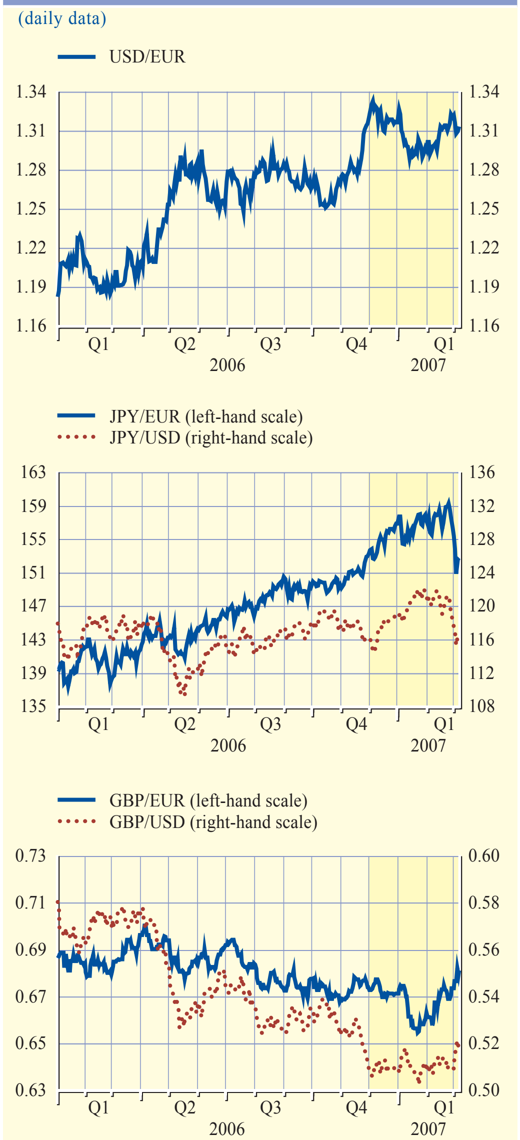
6.1 EXCHANGE RATES

After remaining broadly stable in summer 2006, the euro appreciated in the autumn to stabilise at a level about 1.5% higher than its 2006 average. This relative stability of the euro over the past three months reflects partially offsetting developments in the bilateral exchange rates of the euro against major currencies.

US DOLLAR/EURO

After a period of broad stability between June and October 2006, the euro appreciated sharply against the US dollar in November, peaking at USD 1.33 at the beginning of December. Subsequently, the euro retreated somewhat and stabilised against the US currency at an average level of USD 1.31 (see the shaded area in Chart 45). The fast pace of the euro appreciation in November may have been related to market perceptions of a moderation in US economic activity accompanied by expectations of robust economic growth in the euro area. The subsequent rebound of the dollar seems to have been influenced by market perceptions of stronger economic growth in the United States linked to tentative signals of a recovery in the housing market. The prices of currency derivatives highlighted a significant shift in short-term market expectations in favour of the euro in November. Thereafter, however, such expectations quickly receded, in line with the observed movements in the exchange rate. On 7 March 2007 the euro traded at USD 1.31, i.e. half a percentage point below its end-November level and about 4.5% stronger than its 2006 average (see Chart 45).

Chart 45 Patterns in exchange rates



Source: ECB.
Note: The shaded area refers to the period from 30 November 2006 to 7 March 2007.

JAPANESE YEN/EURO

After a prolonged phase of appreciation in the first eight months of 2006, the euro was broadly stable vis-à-vis the Japanese yen in September and October and then resumed its upward trend in the remainder of the year. Since the beginning of 2007 the euro has continued to trade at elevated levels, reaching a historical peak of JPY 159.4 on 23 February. The stability of the yen around values close to historical lows vis-à-vis the euro and the record number of outstanding short positions taken in the futures market against the Japanese currency in January and February contrasted with indications from the prices of currency options. According to these indications, since the beginning of 2007 market participants have held increasingly strong expectations of an appreciation of the yen in the short term. In February 2007 renewed evidence of robust economic activity in Japan, as signalled by strong GDP growth in the fourth quarter of 2006, and the decision taken by the Bank of Japan on 21 February to raise the overnight call rate by 25 basis points, to 0.5%, did not seem to have any notable impact on the Japanese currency. Towards the end of February the yen started to strengthen in coincidence with the financial market turbulence related to the sharp fall in Chinese stock prices. By 7 March the yen had rebounded from its historical low against the euro, to trade at JPY 152.81, approximately the same level as at end-November and about 4.5% higher than the 2006 average (see Chart 45).

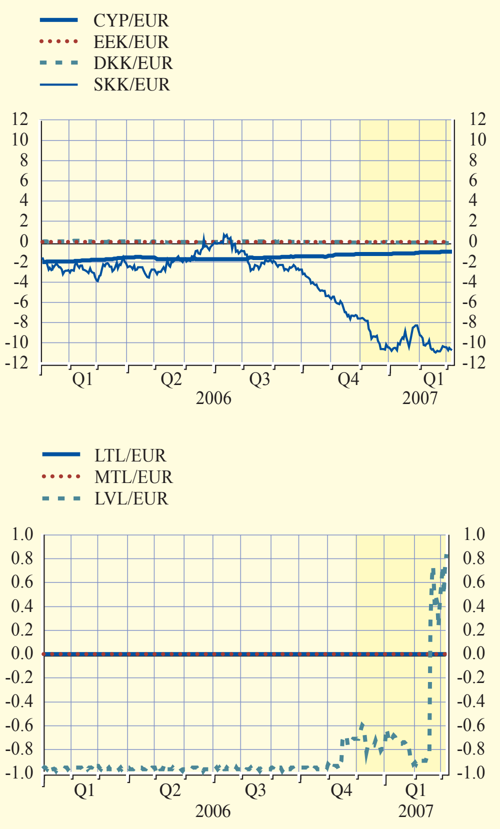
EU MEMBER STATES' CURRENCIES

Since the end of November 2006 most currencies participating in ERM II have remained stable and have continued to trade at or close to their respective central rates (see the shaded area in Chart 46). The euro recorded sizeable movements only against the Latvian lats, appreciating by about 1.5% , and against the Slovak koruna, declining by about 3.5%, amid increased volatility. After a long period of appreciation against the euro, the Slovak koruna temporarily weakened in January, following interventions in the foreign exchange market by Národná banka Slovenska in the last week of 2006. The Slovak currency, however, started to appreciate again in February – amid market perceptions of continuing strong economic growth in Slovakia – to trade on 7 March almost 11% stronger than its ERM II central parity.

With regard to the currencies of other EU Member States, the euro has gained over 2% against the Swedish krona since end-November and 1% against the pound sterling over the same period – being quoted on 7 March at GBP 0.68, about the same level as its 2006 average. However, since the beginning of 2007 the euro has experienced somewhat wider fluctuations against the pound sterling. This reflects, on the one hand, the decision taken by the Bank of England to raise the official interest rate on 11 January 2007 to 5.25%, a move which was not expected by the markets, and, on the other hand, the release of softer economic data than the markets had expected, as well as lower inflation in the United Kingdom in February. As for the currencies of the larger Member States that joined the EU in May 2004, the euro strengthened against the Czech koruna (by about half a percentage point) and the Polish zloty (2.5%), while it depreciated vis-à-vis the Hungarian forint (1.3%) between end-November 2006 and 7 March 2007.

Chart 46 Patterns in exchange rates in ERM II

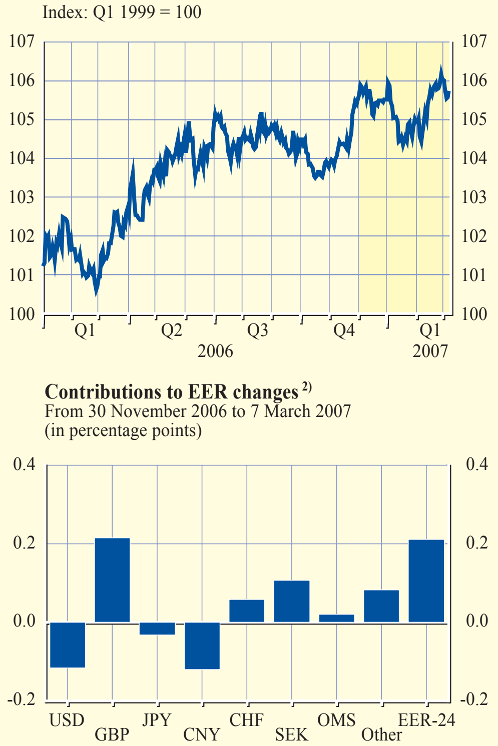
(daily data; deviation from the central parity in percentage points)



Source: ECB.
Notes: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is ± 2.25%; for all other currencies, the standard fluctuation band of ± 15% applies. The shaded area refers to the period from 30 November 2006 to 7 March 2007.

Chart 47 Euro effective exchange rate and its decomposition [1]

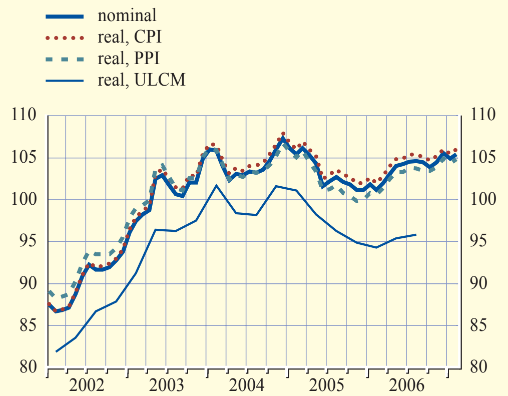
(daily data)



Source: ECB.
Note: The shaded area refers to the period from 30 November 2006 to 7 March 2007.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

Chart 48 Euro nominal and real effective exchange rates [1]

(monthly/quarterly data; index: Q1 1999 = 100)



Source: ECB.
1) An upward movement of the EER-24 indices represents an appreciation of the euro. The latest observations for monthly data are for February 2007. In the case of the ULCM-based real EER-24, the latest observation is for the third quarter of 2006 and is partly based on estimates.

OTHER CURRENCIES

Between end-November 2006 and 7 March 2007 the euro rose by about 1% against the Swiss franc and by about 2.5% vis-à-vis the Canadian dollar, while it depreciated by 1.7% against the Chinese renminbi and remained broadly stable against the Norwegian krone.

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 7 March 2007 the nominal effective exchange rate – as measured against the currencies of 24 of the euro area's important trading partners – was almost unchanged relative to its level at the end of November 2006 and 2% higher than its average level in 2006 (see Chart 47). In terms of the indicators of international price and cost competitiveness of the euro area, based on developments in consumer and producer prices, in January 2007 the real effective exchange rates of the euro were about 1% above their 2006 average level (see Chart 48). Box 8 describes the methodological changes introduced in the computation of the effective exchange rates of the euro following the recent euro area and EU enlargements.

Box 8

THE EFFECTIVE EXCHANGE RATES OF THE EURO FOLLOWING THE RECENT EURO AREA AND EU ENLARGEMENTS

The ECB computes and publishes the nominal and real effective exchange rates (EERs) of the euro against different groups of trading partners. The EERs are computed using a methodology agreed in 1999 with the national central banks of the then 15 EU Member States.[1] The indicators are constructed by applying overall trade weights to the bilateral exchange rates of the euro against the currencies of selected trading partners of the euro area. The weights are based on three-year averages of manufacturing trade data in the periods 1995-1997 and 1999-2001, and are also designed to capture the effect of competition in third markets. The first of the updates of the trade weights, which are scheduled at five-year intervals, took place in September 2004.[2] The EER indices are based on 1995-1997 weights until 1998 and on 1999-2001 weights thereafter. On the occasion of the recent enlargements of the euro area and the EU, a number of methodological and compositional changes were introduced to the set of euro EERs published by the ECB. The aim of this box is to provide a brief overview of these changes, present the resulting trade weights and, finally, briefly analyse the new set of indicators.

The composition of the groups of trading partners underlying the set of EERs was modified from 1 January 2007 to account for the adoption of the euro by Slovenia and the accession of Bulgaria and Romania to the EU. Applying the same approach as that adopted for the recent publication of the Harmonised Competitiveness Indicators (HCIs), the broadest group of euro area trading partners has been extended to include three more non-EU countries, and a simplified calculation has been introduced for the trade weights of the narrower EER groups.[3]

In the light of the above, the EER-23 reference group, which encompasses all non-euro area EU Member States and other major trading partners, has been modified by removing Slovenia and adding Bulgaria and Romania. The resulting group is now composed of 24 trading partners and has, therefore, been renamed the EER-24 group. At the same time, the composition of the EER-42 group has also been modified by excluding Slovenia and adding Chile, Venezuela and Iceland. As a consequence, the broadest EER reference group now comprises 44 trading partners and has been renamed the EER-44 group. The composition of the EER-12, comprising 12 of the main trading partners of the euro area, remains unchanged.[4] Also in line with the scheme adopted for the HCIs, the trade weights for the narrower groups (i.e. the EER-12 and EER-24) are now calculated by re-scaling the trade weights of the broadest group (the EER-44)[5].

1 For a description of the underlying methodology, see L. Buldorini, S. Makrydakis and C. Thimann (2002), "The effective exchange rate of the euro", ECB Occasional Paper No 2.
2 At that time, the most recent year for which manufacturing trade data was available for all trading partners was 2001. See the box entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the ECB Monthly Bulletin.
3 See the box entitled "The introduction of harmonised competitiveness indicators for euro area countries" in the February 2007 issue of the ECB Monthly Bulletin and http://www.ecb.int/stats/exchange/hci/html/hci_2007-01.en.html.
4 Although China is among the most important trading partners of the euro area, it is not included in the EER-12 reference group because of limited data availability for the 1980s.
5 Previously, the weights were completely recalculated for each trading partner group. The new treatment simplifies the computations and ensures that the trade data employed for the EER-44 group are also used for the EER-12 and EER-24, in particular, as regards competition in third markets.

The accompanying table shows the trade weights resulting from these changes. Neither the conversion of Slovenia from a trading partner to a member of the euro area, nor the addition of three more trading partners, has had a significant impact on the weights. The most notable development is the increase in the coverage of the EER-24 (compared with that of the former EER-23 reference group) from 75% to 77% of euro area external trade in manufacturing goods. The coverage of the EER-44 has also increased from 90% to 93%. The United States and the United Kingdom continue to rank as the main trading partners of the euro area followed by Japan and China.

Real EERs are available for the EER-12 and EER-24 groups and are calculated using consumer price indices (CPI), producer price indices (PPI), a GDP deflator (GDPD), unit labour costs in the total economy (ULCT) and unit labour costs in manufacturing (ULCM). For the EER-44, the consumer price index remains the only deflator applied, owing to a lack of timely and comparable data on other price and cost measures for some of the countries included in this broadest group.

The nominal EER indicators are available daily for the EER-12 and EER-24, as they constitute a summary measure of short-term foreign exchange market developments. All other indicators are available monthly, with the exception of the real EER indices based on ULCT, ULCM and GDPD, which are only available at a quarterly frequency.

The EER-24 and EER-44, which are available from January 1993, will be the standard reference series in ECB publications and are published in Section 8.1 of the Euro area statistics section of the ECB Monthly Bulletin and in the Statistics Pocket Book. The EER-24 is also published on a daily basis on the ECB's website (see http://www.ecb.int/stats/exchange/effective/html/index.en.html).

Weights in the ECB's EER-12, EER-24 and EER-44 indices[1)]

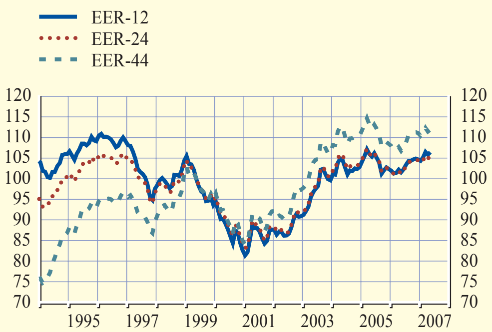
(percentages; overall weights based on 1999-2001 manufacturing trade data)

Trading partners	EER-12	EER-24	EER-44
EER-44 group			**100.0**
EER-24 group			**82.5**
EER-12 group	**100.0**	**80.8**	**66.7**
Australia	1.1	0.9	0.7
Canada	2.5	2.0	1.6
Denmark	3.3	2.6	2.2
Hong Kong	2.7	2.2	1.8
Japan	12.8	10.4	8.6
Norway	1.7	1.3	1.1
Singapore	2.3	1.9	1.6
South Korea	4.1	3.3	2.7
Sweden	6.0	4.8	4.0
Switzerland	8.4	6.8	5.6
United Kingdom	25.8	20.8	17.2
United States	29.4	23.7	19.6
Additional countries in the EER-24 group		**19.2**	**15.8**
Bulgaria		0.4	0.3
China		7.2	5.9
Cyprus		0.1	0.1
Czech Republic		2.8	2.3
Estonia		0.2	0.2
Hungary		2.7	2.2
Latvia		0.1	0.1
Lithuania		0.2	0.2
Malta		0.1	0.1
Poland		3.3	2.7
Romania		1.0	0.8
Slovakia		1.0	0.8
Additional countries in the EER-44 group			**17.5**
Algeria			0.3
Argentina			0.4
Brazil			1.3
Chile			0.3
Croatia			0.4
Iceland			0.1
India			1.3
Indonesia			0.7
Israel			1.1
Malaysia			1.1
Mexico			1.2
Morocco			0.6
New Zealand			0.1
Philippines			0.5
Russia			1.7
South Africa			0.8
Taiwan			2.3
Thailand			1.0
Turkey			2.1
Venezuela			0.2

Source: ECB calculations.
1) The EER-12, EER-24 and EER-44 account for 62%, 77% and 93% of total extra-euro area manufacturing trade respectively.

Chart A Euro nominal effective exchange rates

(monthly data; index: Q1 1999 = 100)



Source: ECB.
Note: The last observation refers to February 2007.

Chart B Euro real effective exchange rates [1]

(monthly data; index: Q1 1999 = 100)

Source: ECB.
Note: The last observation refers to February 2007.
1) Deflated using HICP for EU countries and CPI for other countries.

Chart A shows the evolution of the three nominal EERs of the euro. Overall, over the sample period the indices exhibited a broad co-movement, which has become more accentuated since the late 1990s, especially in the EER-12 and EER-24 indices. In more recent years, all the indices have shown a rapid appreciation from the trough reached by the euro in 2000 and a broad stabilisation, amid some fluctuations, since 2004. The discrepancy between the EER-12 and the broader indices in the first half of the 1990s reflects the devaluation of the Chinese renminbi in 1994 and the prolonged depreciation of the Hungarian forint and the Polish zloty against major euro legacy currencies, as these countries are not included in the EER-12. The nominal EER-44 index is further influenced by trading partners not included in the EER-24, such as Brazil, Indonesia and Mexico. Since the launch of the euro, the EER-12 and EER-24 have largely moved together, while the broader EER-44 index has appreciated more strongly. This has mainly been due to the strong nominal appreciation of the euro vis-à-vis the currencies of Argentina, Brazil and, to a lesser extent, Mexico.

Chart B, which depicts the real effective exchange rates of the euro, indicates that once the relative CPI inflation rates between the euro area and the rest of the world are taken into account, the three euro EERs have moved much more closely together than the corresponding nominal rates. Overall, the EER-24 and EER-44 have moved more closely together in real terms, increasing by about 5% and 4% respectively since the first quarter of 1999, while the narrowest effective exchange rate, the EER-12, appreciated by almost 10% in the same period. Besides developments in nominal exchange rates, this mainly reflects lower inflation rates in the countries included in the EER-12 index than in the countries in the EER-24 and EER-44 indices.

6.2 BALANCE OF PAYMENTS

In 2006 the euro area current account deficit rose marginally to 0.2% of GDP from less than 0.1% of GDP a year earlier. This mainly reflected the decline in the goods surplus on account of the higher average cost of oil imports in this period. However, the decline in the trade surplus seems to have come to a halt towards the end of 2006 owing to robust growth in goods exports in the fourth quarter of the year. In the financial account, combined direct and portfolio investment registered large net inflows of €109.2 billion in 2006 compared with net outflows of €45.4 billion in 2005. The shift in the direction of net capital flows in the euro area was mostly accounted for by increased net purchases of euro area portfolio securities by non-residents as well as reduced net foreign direct investment outflows.

TRADE AND THE CURRENT ACCOUNT

In the fourth quarter of 2006 the value of extra-euro area exports of goods and services grew by 4.3%, showing a strong acceleration compared with developments in previous quarters (see Table 10). The notable pick-up in exports was primarily attributable to strong growth in trade in goods, as the value of goods exports increased by 5.1%, while services exports grew by 1.8%.

Table 10 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	Quarterly figures 2006				Annual figures	
	Q1	Q2	Q3	Q4	2005	2006
	EUR billions					
Current account	-6.5	-4.6	-10.0	5.0	-6.8	-16.2
Goods balance	4.9	5.0	2.1	15.7	47.9	27.7
Exports	333.4	341.2	348.4	366.0	1,220.5	1,388.9
Imports	328.4	336.2	346.2	350.4	1,172.5	1,361.3
Services balance	9.6	8.5	9.2	9.0	35.9	36.4
Exports	105.6	106.9	106.8	108.8	399.2	428.0
Imports	96.0	98.3	97.6	99.7	363.3	391.6
Income balance	-5.5	-3.3	-1.2	2.4	-21.7	-7.6
Current transfers balance	-15.6	-14.8	-20.2	-22.1	-69.0	-72.7
Financial account [1]	65.7	48.5	52.1	-57.3	37.4	109.0
Combined net direct and portfolio investment	-8.7	79.9	-13.0	51.0	-45.4	109.2
Net direct investment	-31.5	-16.4	-41.3	-56.6	-202.3	-145.9
Net portfolio investment	22.9	96.3	28.4	107.6	156.9	255.1
Equities	24.2	54.7	36.8	60.2	148.2	175.9
Debt instruments	-1.3	41.6	-8.4	47.4	8.7	79.2
Bonds and notes	-9.1	64.3	8.1	71.5	-14.7	134.8
Money market instruments	7.8	-22.7	-16.5	-24.1	23.5	-55.5
	Percentage changes over previous period					
Goods and services						
Exports	3.9	2.1	1.6	4.3	1.0	1.0
Imports	4.0	2.4	2.1	1.4	1.3	1.0
Goods						
Exports	4.9	2.3	2.1	5.1	1.1	1.2
Imports	4.4	2.4	3.0	1.2	1.6	1.1
Services						
Exports	0.9	1.2	-0.1	1.8	0.9	0.6
Imports	2.7	2.4	-0.7	2.2	0.5	0.9

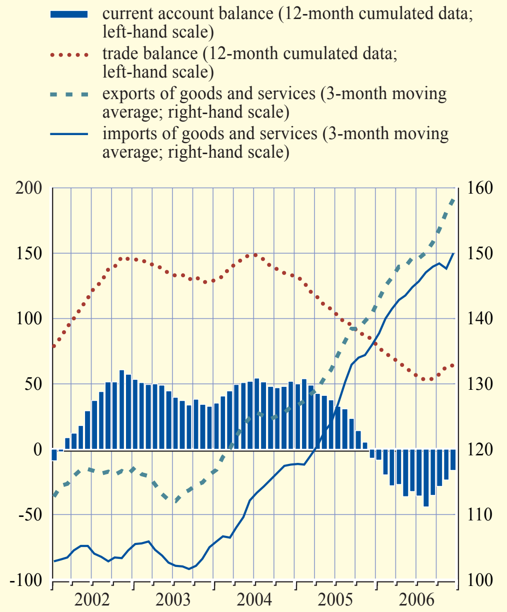
Source: ECB.
Note: Figures may not add up due to rounding.
1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

The breakdown of trade in goods by volume and price, available up to November 2006, shows that export volumes grew by 4.2% in the three-month period to November. This accounted for most of the growth in export values over the same period, as export prices registered only a marginal increase. The increase in goods export volumes took place against the backdrop of steady growth in foreign demand and in spite of the euro's appreciation since the beginning of 2006.

The value of imports of goods and services grew by 1.4% in the last quarter of 2006, mainly owing to the significant decline in oil prices since September. The moderation in import growth reflected developments in trade in goods (with imports of goods growing by only 1.2%, down from 3.0% in the third quarter), while services imports rose by 2.2% in the same period after falling by 0.7% in the third quarter. Turning to the breakdown of goods imports by volume and price, volumes of goods imports remained broadly unchanged in the three months to November 2006. In terms of product composition, import volumes of capital and energy goods showed the strongest decline over the period.

Chart 49 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

In the fourth quarter of 2006 the euro area goods surplus rose to €15.7 billion, thereby contributing to the current account shift to a small surplus of €5.0 billion from a succession of deficits in the preceding three quarters of the year (see Chart 49). For the year as a whole the euro area current account posted a deficit of €16.2 billion, i.e. 0.2% of GDP, which was slightly higher than the deficit recorded in 2005. This primarily reflected a reduction in the goods surplus of €20.2 billion in the same period on account of higher average import prices for oil and other commodities.

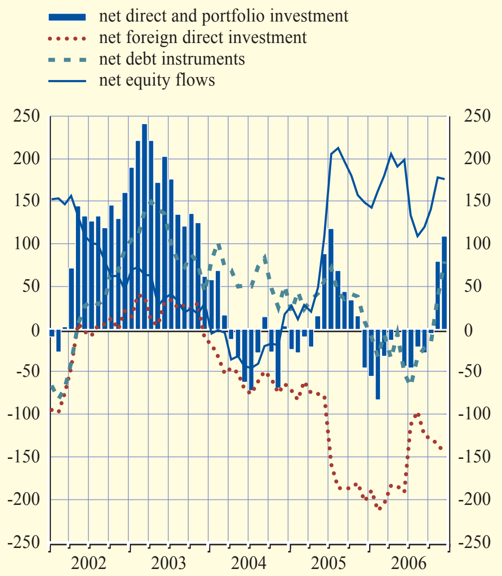
FINANCIAL ACCOUNT

In the last quarter of 2006 euro area combined direct and portfolio investment recorded net inflows of €51.0 billion. This was the result of net inflows in portfolio investment (€107.6 billion), which more than offset net outflows in direct investment (€56.6 billion). Portfolio investment recorded large net inflows in equity, as well as in bonds and notes, and net outflows in money market instruments (see Table 10).

The same developments broadly characterised the year as a whole. Net inflows in combined direct and portfolio investment amounted to €109.2 billion in 2006 compared with net outflows of €45.4 billion in 2005. The shift in the direction of euro area net capital flows in this period coincided with a steady improvement in economic conditions within the euro area, which in turn translated into greater interest on the part of non-residents in investing in euro area securities.

Chart 50 Euro area combined direct and portfolio investment

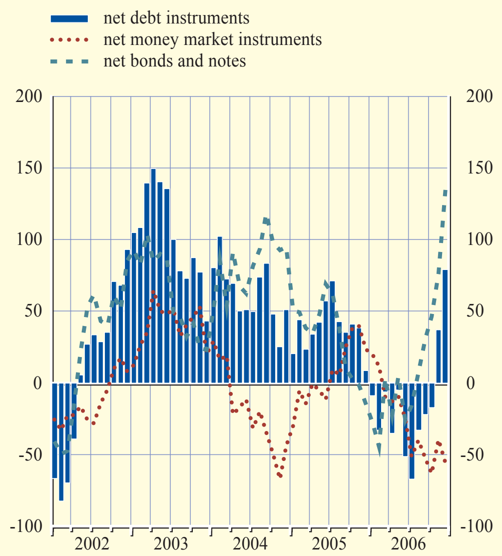
(EUR billions; monthly data; 12-month cumulated flows)



Source: ECB.

Chart 51 Euro area net flows in debt instruments

(EUR billions; 12-month cumulated data)



Source: ECB.
Note: A positive (negative) number indicates a net inflow (outflow) into (out of) the euro area.

Similar to developments in 2005, the euro area continued to register relatively strong net inflows in portfolio equity securities in 2006 (see Chart 50), supported by favourable expectations regarding the earnings growth performance of euro area enterprises. Foreign investment in euro area bonds and notes was also significant in 2006, which partly replaced investment in euro area money market instruments (see Chart 51).

As regards euro area direct investment, 2006 saw a decline in net outflows (of €56.4 billion) compared with the previous year. This decline reflects the base effect of the sizeable net outflows associated with a single large transaction (relating to the restructuring of Royal Dutch Shell) in July 2005 and also the improved economic outlook in the euro area in 2006. The latter seems to have been a key factor in the doubling of net investment by foreigners in euro area firms in the form of equity capital and reinvested earnings seen in 2006.

EURO AREA STATISTICS

CONTENTS[1]

1) For further information, please contact us at: statistics@ecb.int. See the ECB Statistical Data Warehouse on the Statistics section of the ECB website (http://sdw.ecb.int) for longer runs and more detailed data.

ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2007 TO INCLUDE SLOVENIA

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series relating to the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from a base in 2000 and in 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB web site at http://www.ecb.int/stats/services/downloads/html/index.en.html

Conventions used in the tables

"-"	data do not exist/data are not applicable
"."	data are not yet available
"…"	nil or negligible
"billion"	10^9
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-MFI corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2006	8.6	8.7	8.4	-	10.9	16.1	3.08	3.86
2006 Q1	10.3	8.6	7.8	-	10.1	16.2	2.61	3.56
Q2	9.8	9.1	8.6	-	11.2	15.9	2.90	4.05
Q3	7.6	8.4	8.1	-	11.2	15.5	3.22	3.97
Q4	6.7	8.7	9.0	-	11.2	17.1	3.59	3.86
2006 Sep.	7.2	8.4	8.5	8.4	11.5	16.0	3.34	3.84
Oct.	6.3	8.2	8.5	8.8	11.3	17.1	3.50	3.88
Nov.	6.6	8.9	9.3	9.2	11.2	17.9	3.60	3.80
Dec.	7.5	9.4	9.8	9.7	10.7	16.4	3.68	3.90
2007 Jan.	6.5	8.9	9.8	.	10.6	.	3.75	4.10
Feb.	.	.	.	.	.	.	3.82	4.12

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2005	2.2	4.1	2.4	1.4	1.3	81.2	0.8	8.6
2006	2.2	5.1	.	2.6	3.8	83.3	.	7.8
2006 Q1	2.3	5.2	2.3	2.2	3.4	82.2	1.0	8.2
Q2	2.5	5.8	2.3	2.8	4.1	83.0	1.3	7.8
Q3	2.1	5.4	2.0	2.7	4.1	83.8	1.4	7.7
Q4	1.8	4.1	.	3.3	3.6	84.2	.	7.6
2006 Sep.	1.7	4.6	-	-	3.5	-	-	7.7
Oct.	1.6	4.0	-	-	3.8	83.9	-	7.6
Nov.	1.9	4.3	-	-	2.7	-	-	7.5
Dec.	1.9	4.1	-	-	4.2	-	-	7.5
2007 Jan.	1.8	2.9	-	-	.	84.4	-	7.4
Feb.	1.8	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-24 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2005	3.7	48.2	-202.3	156.9	320.1	103.3	104.1	1.2441
2006	-6.1	28.4	-145.9	255.1	325.8	103.6	104.4	1.2556
2006 Q1	-10.8	-2.8	-31.5	22.9	327.1	101.7	102.5	1.2023
Q2	-9.2	6.4	-16.4	96.3	323.8	103.8	104.6	1.2582
Q3	-2.6	8.0	-41.3	28.4	325.0	104.5	105.3	1.2743
Q4	16.6	16.9	-56.6	107.6	325.8	104.6	105.3	1.2887
2006 Sep.	1.7	5.7	-27.1	44.2	325.0	104.4	105.1	1.2727
Oct.	2.0	5.8	-15.3	22.5	325.5	103.9	104.7	1.2611
Nov.	5.6	7.7	-13.0	45.5	327.0	104.5	105.2	1.2881
Dec.	9.1	3.4	-28.3	39.6	325.8	105.6	106.0	1.3213
2007 Jan.	.	.	.	.	338.4	104.9	105.5	1.2999
Feb.	.	.	.	.	.	105.4	106.0	1.3074

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.

1) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the Technical notes for details.
2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
3) For the definition of the trading partner groups and other information, please refer to the General notes.

MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2007 9 February	2007 16 February	2007 23 February	2007 2 March
Gold and gold receivables	176,611	176,521	176,484	176,450
Claims on non-euro area residents in foreign currency	144,158	144,404	143,291	142,494
Claims on euro area residents in foreign currency	22,936	21,990	21,430	22,162
Claims on non-euro area residents in euro	13,430	15,615	14,104	15,613
Lending to euro area credit institutions in euro	409,505	416,500	431,514	429,008
Main refinancing operations	279,500	286,499	301,500	288,999
Longer-term refinancing operations	130,001	130,001	130,001	140,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	4	0	0	0
Credits related to margin calls	0	0	13	9
Other claims on euro area credit institutions in euro	12,515	12,569	13,982	12,822
Securities of euro area residents in euro	83,383	84,880	85,892	86,499
General government debt in euro	39,311	39,311	39,311	39,317
Other assets	225,347	223,300	224,388	223,864
Total assets	1,127,196	1,135,090	1,150,396	1,148,229

2. Liabilities

	2007 9 February	2007 16 February	2007 23 February	2007 2 March
Banknotes in circulation	606,018	605,338	603,630	608,477
Liabilities to euro area credit institutions in euro	173,783	182,916	179,129	183,132
Current accounts (covering the minimum reserve system)	172,671	181,916	177,803	182,613
Deposit facility	34	23	494	35
Fixed-term deposits	1,077	974	832	484
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	3	0	0
Other liabilities to euro area credit institutions in euro	116	137	134	134
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	46,311	46,874	68,642	57,654
Liabilities to non-euro area residents in euro	17,175	17,587	17,904	18,096
Liabilities to euro area residents in foreign currency	160	160	290	163
Liabilities to non-euro area residents in foreign currency	16,489	15,294	13,634	13,896
Counterpart of special drawing rights allocated by the IMF	5,611	5,611	5,611	5,611
Other liabilities	72,619	72,116	72,346	71,851
Revaluation accounts	121,990	121,990	121,990	121,990
Capital and reserves	66,924	67,067	67,086	67,225
Total liabilities	1,127,196	1,135,090	1,150,396	1,148,229

Source: ECB.

1.2 Key ECB interest rates

(levels in percentages per annum; changes in percentage points)

With effect from [1]	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
			Fixed rate	Minimum bid rate			
	Level	Change	Level	Level	Change	Level	Change
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 [2]	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 [3]	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25
2007 14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25

Source: ECB.

1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.
2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

1.3 Eurosystem monetary policy operations allotted through tenders [1), 2)]

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations [3)]

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7
			Main refinancing operations				
2006 8 Nov.	392,532	372	303,000	3.25	3.31	3.32	7
15	403,488	368	304,000	3.25	3.31	3.32	7
22	392,901	371	321,500	3.25	3.30	3.31	7
29	385,957	343	308,000	3.25	3.30	3.31	7
6 Dec.	374,364	333	329,000	3.25	3.30	3.31	7
13	383,656	344	320,000	3.50	3.55	3.56	7
20	388,526	370	321,500	3.50	3.58	3.58	8
28	379,862	373	330,500	3.50	3.58	3.68	7
2007 4 Jan.	395,644	348	330,500	3.50	3.57	3.58	6
10	381,305	375	310,500	3.50	3.55	3.56	7
17	412,215	381	312,500	3.50	3.55	3.56	7
24	428,181	395	317,500	3.50	3.55	3.56	7
31	399,269	352	292,500	3.50	3.56	3.56	7
7 Feb.	381,952	346	279,500	3.50	3.54	3.55	7
14	402,912	363	286,500	3.50	3.55	3.56	8
22	425,650	361	301,500	3.50	3.55	3.56	6
28	380,816	343	289,000	3.50	3.56	3.56	7
7 Mar.	364,245	333	280,000	3.50	3.55	3.56	7
			Longer-term refinancing operations				
2006 23 Feb.	63,980	164	40,000	-	2.57	2.57	98
30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	91
28 Sep.	49,801	136	40,000	-	3.30	3.32	84
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91
21 Dec.	74,150	161	40,000	-	3.66	3.67	98
2007 1 Feb.	79,099	164	50,000	-	3.72	3.74	85
1 Mar.	80,110	143	50,000	-	3.80	3.81	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9
2005 9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	1
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	1
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1
8 Aug.	Collection of fixed-term deposits	19,860	21	18,000	2.75	-	-	-	1
5 Sep.	Collection of fixed-term deposits	13,635	17	11,500	3.00	-	-	-	1
10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	1
12 Dec.	Reverse transaction	21,565	25	2,500	-	3.25	3.32	3.33	1

Source: ECB.
1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

1.4 Minimum reserve and liquidity statistics

(EUR billions; period averages of daily positions, unless otherwise indicated; interest rates as percentages per annum)

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Q1	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
Q2	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3
2006 July	14,797.1	7,787.3	553.4	1,891.9	1,192.2	3,372.4
Aug.	14,850.7	7,760.2	576.3	1,906.6	1,234.7	3,372.8
Sep.	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8
Oct. [2]	15,421.0	8,133.9	615.2	1,965.1	1,264.5	3,442.4
Nov. [2]	15,543.0	8,199.7	613.2	1,973.0	1,285.9	3,471.2
Dec. [2]	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
Q2	162.6	163.3	0.7	0.0	2.57
Q3	165.8	166.4	0.6	0.0	3.04
Q4	172.5	173.2	0.7	0.0	3.30
2007 16 Jan. [3]	174.3	175.3	1.0	0.0	3.57
13 Feb.	175.8	176.5	0.8	0.0	3.55
13 Mar.	179.8	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations [4]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2004	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
Q2	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
Q3	327.3	314.0	120.0	0.1	0.0	0.1	0.4	588.7	61.4	-55.6	166.4	755.2
2006 10 Oct.	326.7	308.7	120.0	0.1	0.3	0.2	0.0	588.5	59.1	-59.1	167.0	755.7
7 Nov.	327.4	311.9	120.0	0.1	0.0	0.1	0.0	592.8	60.2	-60.6	167.0	759.8
12 Dec.	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007 16 Jan.	325.8	322.3	120.0	0.1	0.0	0.2	1.0	619.5	45.0	-72.7	175.3	794.9
13 Feb.	322.1	300.5	124.6	0.1	0.1	0.1	1.5	604.6	47.9	-83.1	176.5	781.2

Source: ECB.

1) End of period.

2) Includes the reserve bases of credit institutions in Slovenia. On a transitional basis, credit institutions located in euro area countries may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Slovenia. Starting from the reserve base as at end-January 2007, the standard treatment will apply (see Regulation (EC) No 1637/2006 of the ECB of 2 November 2006 concerning transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Slovenia (ECB/2006/15)).

3) Owing to the adoption of the euro by Slovenia on 1 January 2007, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 12 countries of the euro area for the period 13-31 December 2006 and the reserve requirements for the 13 countries now in the euro area for the period 1-16 January 2007.

4) Starting from 1 January 2007, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by Banka Slovenije before 1 January 2007 and were still outstanding after this date.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]
(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units [2]	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006 Q1	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.6
Q2	1,532.1	731.1	20.3	0.6	710.1	192.8	170.3	2.3	20.2	-	16.4	343.7	14.6	233.5
Q3	1,521.6	694.2	20.3	0.6	673.2	206.5	179.9	2.2	24.4	-	16.5	348.5	14.8	241.1
2006 Oct.	1,532.3	699.2	20.4	0.6	678.2	210.5	182.8	2.2	25.5	-	16.8	350.3	14.9	240.7
Nov.	1,532.1	689.8	20.4	0.6	668.9	215.9	188.0	2.4	25.5	-	17.0	350.5	14.8	244.0
Dec.	1,558.7	695.6	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.8	262.8
2007 Jan. (p)	1,540.9	663.7	19.7	0.6	643.3	224.7	194.4	2.4	27.9	-	17.5	361.4	14.8	259.0
	MFIs excluding the Eurosystem													
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,633.8	13,684.0	826.9	8,287.4	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006 Q1	24,333.7	14,024.0	816.3	8,551.5	4,656.3	3,584.9	1,440.5	573.5	1,570.9	83.6	1,096.6	3,825.1	166.3	1,553.2
Q2	24,698.2	14,323.9	809.3	8,784.3	4,730.3	3,588.0	1,402.8	600.0	1,585.3	86.6	1,109.1	3,849.1	167.9	1,573.6
Q3	25,302.2	14,580.0	804.2	8,985.0	4,790.8	3,596.0	1,351.4	618.0	1,626.6	82.4	1,139.7	4,069.8	168.8	1,665.5
2006 Oct.	25,530.8	14,667.3	806.1	9,040.7	4,820.6	3,611.8	1,341.0	632.6	1,638.1	85.9	1,158.9	4,190.6	169.6	1,646.7
Nov.	25,881.9	14,770.2	804.1	9,122.2	4,843.9	3,623.2	1,339.6	638.1	1,645.5	83.6	1,196.0	4,270.5	170.1	1,768.2
Dec.	25,956.7	14,893.1	809.9	9,154.3	4,929.0	3,555.1	1,276.0	648.6	1,630.6	83.2	1,193.7	4,318.7	172.6	1,740.2
2007 Jan. (p)	26,397.9	15,067.8	806.2	9,270.4	4,991.2	3,605.2	1,294.7	651.1	1,659.5	84.3	1,220.2	4,487.5	171.8	1,761.3

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006 Q1	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
Q2	1,532.1	598.2	487.4	69.3	21.5	396.5	-	0.1	206.2	30.6	209.5
Q3	1,521.6	607.7	448.3	55.2	16.1	377.0	-	0.1	211.6	33.8	220.0
2006 Oct.	1,532.3	613.3	454.0	53.4	20.1	380.5	-	0.1	211.7	31.1	222.1
Nov.	1,532.1	617.2	443.3	52.0	19.9	371.4	-	0.1	212.7	33.2	225.6
Dec.	1,558.7	647.0	431.6	33.7	15.9	382.0	-	0.1	209.9	35.3	234.7
2007 Jan. (p)	1,540.9	621.2	433.3	48.1	18.8	366.4	-	0.8	216.3	36.9	232.3
	MFIs excluding the Eurosystem										
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,633.8	-	12,214.6	149.2	7,214.2	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006 Q1	24,333.7	-	12,419.6	148.1	7,322.0	4,949.5	686.7	3,991.5	1,368.7	3,733.7	2,133.6
Q2	24,698.2	-	12,708.7	138.1	7,512.7	5,057.9	703.1	4,060.7	1,376.2	3,701.4	2,148.1
Q3	25,302.2	-	12,854.4	147.7	7,615.6	5,091.2	728.0	4,160.1	1,410.4	3,900.4	2,248.8
2006 Oct.	25,530.8	-	12,891.6	138.4	7,636.6	5,116.7	729.1	4,211.5	1,420.2	4,003.0	2,275.3
Nov.	25,881.9	-	13,022.0	140.6	7,699.7	5,181.7	720.4	4,242.3	1,443.3	4,012.8	2,441.1
Dec.	25,956.7	-	13,253.6	122.6	7,885.7	5,245.2	697.7	4,244.7	1,442.2	3,981.3	2,337.3
2007 Jan. (p)	26,397.9	-	13,298.0	122.2	7,882.4	5,293.4	724.3	4,311.0	1,452.4	4,181.8	2,430.4

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
3) Amounts held by euro area residents.
4) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period; transactions during period)

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2004	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,873.1	9,135.6	847.5	8,288.1	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006 Q1	18,450.2	9,389.1	837.0	8,552.1	2,184.2	1,608.4	575.8	784.5	4,174.0	181.0	1,737.4
Q2	18,714.4	9,614.6	829.6	8,785.0	2,175.4	1,573.1	602.3	786.6	4,192.8	182.5	1,762.5
Q3	19,234.9	9,810.2	824.6	8,985.7	2,151.5	1,531.3	620.2	809.3	4,418.3	183.6	1,862.0
2006 Oct.	19,420.0	9,867.7	826.4	9,041.3	2,158.6	1,523.8	634.8	827.1	4,540.9	184.4	1,841.1
Nov.	19,724.4	9,947.3	824.5	9,122.8	2,168.1	1,527.6	640.4	836.5	4,620.9	185.0	1,966.6
Dec.	19,733.5	9,984.5	829.6	9,154.9	2,114.5	1,463.4	651.0	828.9	4,670.0	187.4	1,948.2
2007 Jan. (p)	20,096.5	10,097.0	825.9	9,271.0	2,142.5	1,489.1	653.4	846.9	4,848.9	186.5	1,974.7
	Transactions										
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,610.9	711.2	12.8	698.4	156.1	76.2	79.9	53.2	448.5	1.4	240.4
2006 Q1	593.9	240.5	-10.4	250.8	54.3	28.5	25.8	67.8	202.4	-0.2	29.1
Q2	359.8	235.5	-7.2	242.7	13.0	-15.8	28.8	9.0	79.6	1.5	21.1
Q3	486.1	203.7	-3.0	206.7	-31.5	-51.2	19.7	9.8	205.3	1.1	97.7
2006 Oct.	179.6	59.3	2.6	56.7	8.4	-5.8	14.3	14.7	118.0	0.8	-21.6
Nov.	372.0	88.7	-1.8	90.5	13.1	3.9	9.1	6.3	138.6	0.6	124.8
Dec.	13.6	44.0	5.1	38.9	-46.7	-58.9	12.1	-9.9	49.2	2.5	-25.4
2007 Jan. (p)	279.2	81.3	-3.7	85.0	20.9	19.0	1.9	14.9	141.2	-1.4	22.3

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,873.1	532.8	173.6	7,228.7	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006 Q1	18,450.2	532.2	193.1	7,337.0	603.1	2,402.7	1,255.2	3,764.0	2,340.2	22.6
Q2	18,714.4	553.7	207.4	7,534.2	616.5	2,455.3	1,243.5	3,732.0	2,357.7	14.0
Q3	19,234.9	563.2	202.9	7,631.7	645.6	2,509.2	1,275.2	3,934.3	2,468.8	4.2
2006 Oct.	19,420.0	567.1	191.8	7,656.6	643.2	2,548.0	1,283.3	4,034.1	2,497.4	-1.5
Nov.	19,724.4	571.5	192.6	7,719.6	636.8	2,571.3	1,279.4	4,046.0	2,666.8	40.4
Dec.	19,733.5	592.2	156.4	7,901.6	614.5	2,587.2	1,270.2	4,016.6	2,572.0	22.9
2007 Jan. (p)	20,096.5	575.7	170.4	7,901.2	640.1	2,624.4	1,277.9	4,218.8	2,662.8	25.3
	Transactions									
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,610.9	64.4	10.9	498.0	-3.0	213.5	96.1	448.0	333.8	-50.8
2006 Q1	593.9	-0.6	19.6	103.0	9.0	77.0	29.0	240.6	81.9	34.5
Q2	359.8	21.5	15.2	204.8	14.9	65.0	1.2	19.4	12.6	5.3
Q3	486.1	9.5	-4.5	97.7	9.8	56.7	24.5	203.6	101.2	-12.4
2006 Oct.	179.6	3.9	-11.1	25.0	0.7	38.2	4.3	98.5	27.7	-7.5
Nov.	372.0	4.4	0.8	69.5	14.6	31.0	-9.9	67.1	145.7	48.8
Dec.	13.6	20.7	-36.2	182.1	-21.4	16.5	-1.0	-31.1	-97.9	-18.0
2007 Jan. (p)	279.2	-16.9	12.2	-27.2	27.1	30.0	-3.4	167.6	91.9	-2.1

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Amounts held by euro area residents.
3) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics [1]

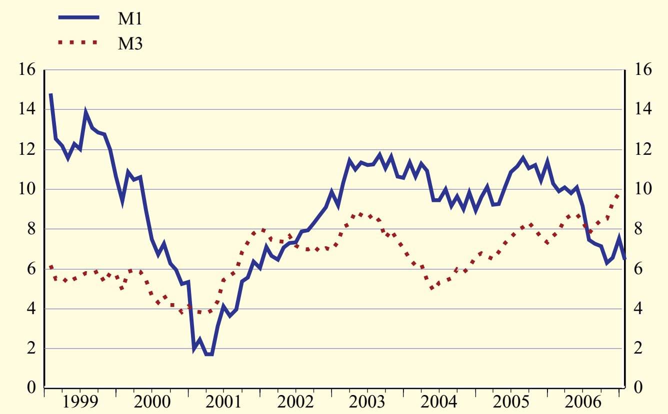
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M1	M2-M1	M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Loans	Net external assets [3]
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2004	2,909.5	2,660.5	5,570.0	964.6	6,534.6	-	4,465.3	2,294.6	8,694.9	7,548.8	373.4
2005	3,424.9	2,650.6	6,075.5	993.7	7,069.1	-	5,005.8	2,468.0	9,556.8	8,281.4	421.8
2006 Q1	3,492.3	2,722.5	6,214.9	1,007.5	7,222.3	-	5,142.0	2,439.1	9,909.9	8,561.6	425.7
Q2	3,555.9	2,779.0	6,334.9	1,028.0	7,362.9	-	5,223.6	2,391.4	10,140.6	8,755.5	461.7
Q3	3,590.5	2,881.9	6,472.4	1,096.1	7,568.5	-	5,322.3	2,365.7	10,451.8	9,002.2	467.5
2006 Oct.	3,594.1	2,908.8	6,502.9	1,093.0	7,596.0	-	5,369.8	2,358.5	10,538.1	9,057.5	484.0
Nov.	3,615.3	2,938.7	6,554.0	1,098.0	7,652.0	-	5,401.4	2,347.2	10,607.0	9,117.4	563.4
Dec.	3,677.3	2,954.0	6,631.3	1,088.3	7,719.6	-	5,430.0	2,315.9	10,643.6	9,148.8	630.8
2007 Jan. (p)	3,683.1	2,998.0	6,681.1	1,131.9	7,813.0	-	5,463.1	2,321.0	10,766.6	9,257.3	626.5
					Transactions						
2004	239.3	110.7	350.0	57.7	407.7	-	341.7	54.5	578.1	506.1	162.4
2005	339.6	138.8	478.4	6.5	484.9	-	404.7	93.5	835.1	699.4	0.0
2006 Q1	69.2	74.6	143.7	28.8	172.5	-	104.7	-13.7	337.3	267.0	-0.1
Q2	66.1	60.0	126.1	27.6	153.6	-	102.8	-28.2	249.6	203.7	45.5
Q3	33.9	102.4	136.3	52.7	188.9	-	92.1	-33.1	305.7	252.7	-15.8
2006 Oct.	3.5	27.1	30.6	-0.1	30.5	-	43.1	-4.8	83.9	56.3	13.2
Nov.	22.6	33.5	56.1	20.0	76.1	-	40.6	-11.1	78.4	69.0	82.7
Dec.	62.0	15.4	77.4	-7.6	69.8	-	36.3	-25.8	42.6	38.1	69.3
2007 Jan. (p)	-10.0	30.6	20.6	45.3	65.9	-	16.5	-1.7	88.3	77.5	-7.4
					Growth rates						
2004 Dec.	8.9	4.3	6.7	6.4	6.6	6.5	8.2	2.4	7.1	7.2	162.4
2005 Dec.	11.4	5.4	8.5	0.7	7.3	7.5	8.9	4.0	9.6	9.2	0.0
2006 Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.9	2.1	11.6	10.9	-6.8
June	9.2	8.8	9.0	4.9	8.4	8.3	8.0	0.2	11.6	11.0	-18.5
Sep.	7.2	9.9	8.4	9.1	8.5	8.4	8.3	-1.6	12.2	11.5	-11.0
2006 Oct.	6.3	10.8	8.2	10.2	8.5	8.8	8.4	-2.4	12.1	11.3	18.7
Nov.	6.6	11.8	8.9	12.4	9.3	9.2	8.5	-3.8	11.9	11.2	135.5
Dec.	7.5	11.8	9.4	12.4	9.8	9.7	8.4	-4.8	11.5	10.7	194.9
2007 Jan. (p)	6.5	12.0	8.9	15.7	9.8	.	8.3	-5.0	11.3	10.6	180.6

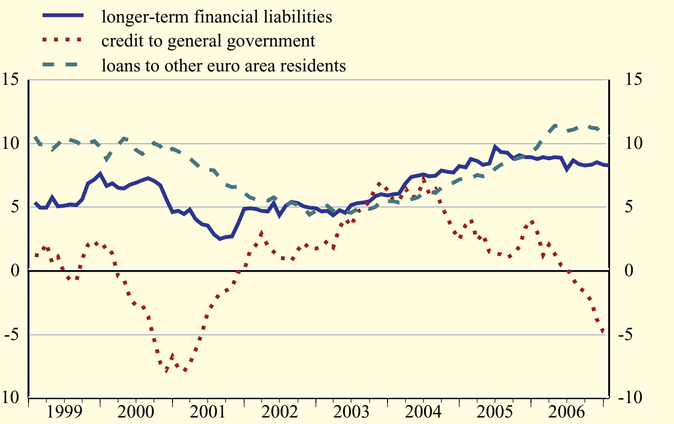
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).

3) Values in the section “growth rates” are sums of the transactions during the 12 months ending in the period indicated.

2.3 Monetary statistics [1)]

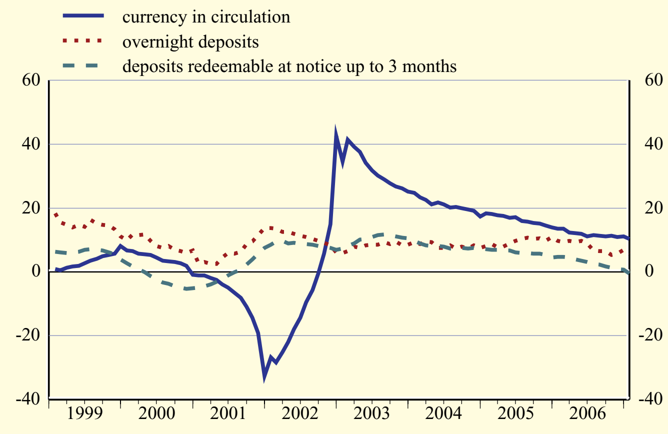
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

2. Components of monetary aggregates and longer-term financial liabilities

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2004	456.4	2,453.1	1,024.5	1,636.0	242.3	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,904.5	1,107.9	1,542.7	236.6	630.8	126.2	2,203.9	87.0	1,515.3	1,199.6
2006 Q1	535.5	2,956.8	1,159.3	1,563.3	240.9	603.5	163.1	2,240.0	88.4	1,559.7	1,253.8
Q2	547.8	3,008.2	1,215.6	1,563.4	247.2	619.0	161.8	2,290.5	92.2	1,601.0	1,239.9
Q3	563.4	3,027.1	1,314.4	1,567.5	270.1	647.3	178.7	2,328.3	97.7	1,626.4	1,269.9
2006 Oct.	572.3	3,021.8	1,342.5	1,566.4	255.3	643.4	194.3	2,341.2	99.6	1,647.4	1,281.7
Nov.	574.6	3,040.8	1,377.3	1,561.3	257.3	641.3	199.4	2,364.5	101.7	1,652.2	1,282.9
Dec.	578.3	3,099.0	1,400.6	1,553.4	261.9	629.5	196.9	2,399.0	102.5	1,659.4	1,269.1
2007 Jan. (p)	583.6	3,099.4	1,450.9	1,547.2	265.6	643.6	222.7	2,417.8	105.4	1,661.4	1,278.5
	Transactions										
2004	67.7	171.6	-2.2	112.9	24.5	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	275.6	69.3	69.5	-6.7	-3.2	16.4	199.1	-4.3	113.9	95.9
2006 Q1	15.1	54.0	53.8	20.8	4.3	-5.6	30.0	39.9	1.4	34.8	28.6
Q2	12.3	53.8	59.6	0.3	7.1	17.0	3.5	58.1	3.8	42.1	-1.1
Q3	15.6	18.2	98.3	4.1	22.9	9.1	20.7	37.0	5.5	26.8	22.8
2006 Oct.	8.9	-5.4	28.2	-1.1	-14.8	-0.8	15.5	12.3	1.9	20.9	7.9
Nov.	2.3	20.3	38.4	-4.9	1.9	19.1	-1.1	37.0	2.1	6.3	-4.8
Dec.	3.7	58.3	23.3	-7.9	4.7	-11.0	-1.3	34.0	0.8	7.1	-5.6
2007 Jan. (p)	4.9	-15.0	37.4	-6.8	3.6	15.6	26.0	11.4	2.1	4.8	-1.8
	Growth rates										
2004 Dec.	17.4	7.5	-0.2	7.4	11.3	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-2.8	-0.5	15.7	10.0	-4.7	8.3	8.9
2006 Mar.	12.3	9.7	12.7	4.4	3.8	-0.5	43.5	8.7	-3.2	9.1	9.8
June	11.1	8.8	17.2	3.0	2.6	0.8	30.4	8.1	1.6	9.0	7.0
Sep.	11.0	6.5	21.5	1.8	12.6	0.7	44.7	8.1	10.7	9.4	7.1
2006 Oct.	11.4	5.4	24.2	1.4	8.2	1.7	55.8	7.6	13.8	9.9	7.4
Nov.	10.8	5.8	27.3	0.9	9.0	5.8	49.3	8.8	16.5	9.7	6.1
Dec.	11.1	6.9	27.3	0.7	11.1	4.5	52.3	10.0	17.8	9.1	3.9
2007 Jan. (p)	10.4	5.8	29.2	-0.4	10.1	8.0	58.7	10.1	18.9	8.7	3.6

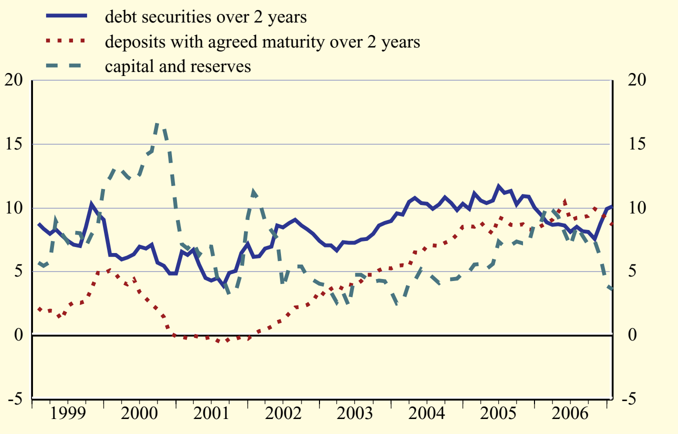
C3 Components of monetary aggregates [1)]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1)]

(annual growth rates; seasonally adjusted)



Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.4 MFI loans, breakdown [1), 2)]

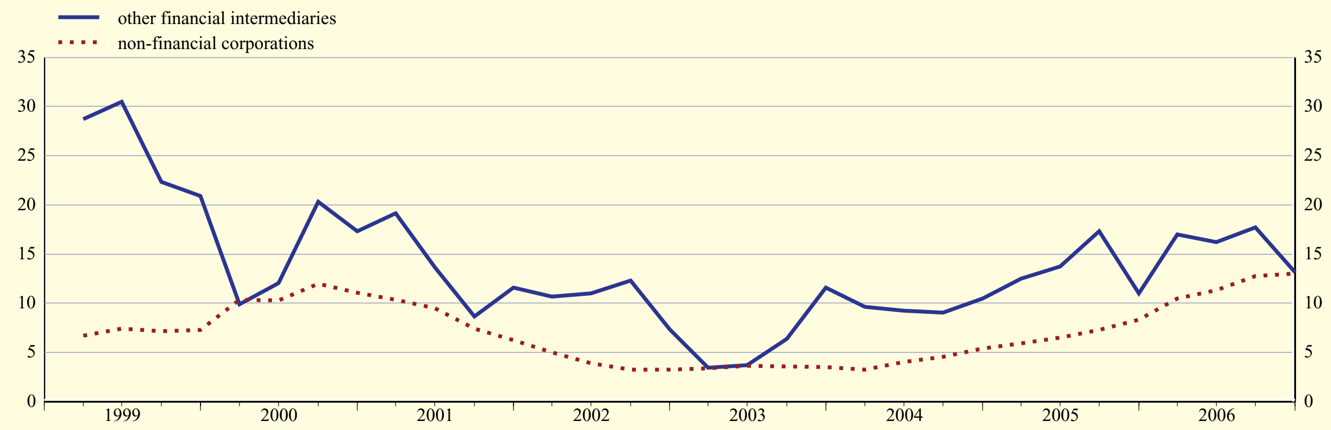
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations [3)]

	Insurance corporations and pension funds		Other financial intermediaries [4)]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
Outstanding amounts								
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006 Q1	81.9	57.1	661.9	412.0	3,525.1	1,060.8	626.7	1,837.6
Q2	84.7	59.6	673.5	419.6	3,640.0	1,098.6	650.9	1,890.5
Q3	89.5	63.0	703.6	439.0	3,731.0	1,106.4	681.7	1,942.9
2006 Oct.	89.1	62.0	701.8	436.9	3,767.5	1,116.9	692.1	1,958.5
Nov.	95.0	68.1	704.1	434.7	3,806.2	1,129.0	700.5	1,976.7
Dec.	82.9	55.0	688.8	419.4	3,846.9	1,126.4	711.5	2,009.0
2007 Jan. (p)	100.4	72.2	718.2	440.7	3,899.3	1,152.4	722.1	2,024.7
Transactions								
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006 Q1	17.1	15.6	46.6	45.2	108.9	27.0	35.8	46.1
Q2	2.8	2.6	13.8	9.0	120.8	39.6	26.4	54.8
Q3	4.8	3.4	32.5	20.7	91.2	8.3	30.8	52.1
2006 Oct.	-0.4	-1.0	-2.0	-2.2	37.1	10.5	10.5	16.1
Nov.	6.1	6.2	4.9	-0.5	43.1	13.4	9.5	20.2
Dec.	-12.1	-13.0	-14.3	-14.9	42.6	-1.9	11.8	32.6
2007 Jan. (p)	17.4	17.1	17.3	19.1	38.3	13.8	7.3	17.2
Growth rates								
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Mar.	40.3	44.1	17.0	16.8	10.5	7.7	14.9	10.6
June	32.5	36.3	16.2	16.7	11.3	8.0	17.4	11.4
Sep.	37.0	47.6	17.7	19.5	12.7	10.3	20.4	11.6
2006 Oct.	29.0	36.4	17.7	19.8	12.9	10.4	20.0	12.0
Nov.	26.1	35.0	16.0	17.3	13.1	10.7	20.8	12.0
Dec.	28.3	33.0	13.2	15.6	13.0	9.4	21.1	12.4
2007 Jan. (p)	31.1	37.1	11.5	13.2	13.2	9.8	20.8	12.7

C5 Loans to financial intermediaries and non-financial corporations [2)]

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
4) This category includes investment funds.

2.4 MFI loans, breakdown [1), 2)]

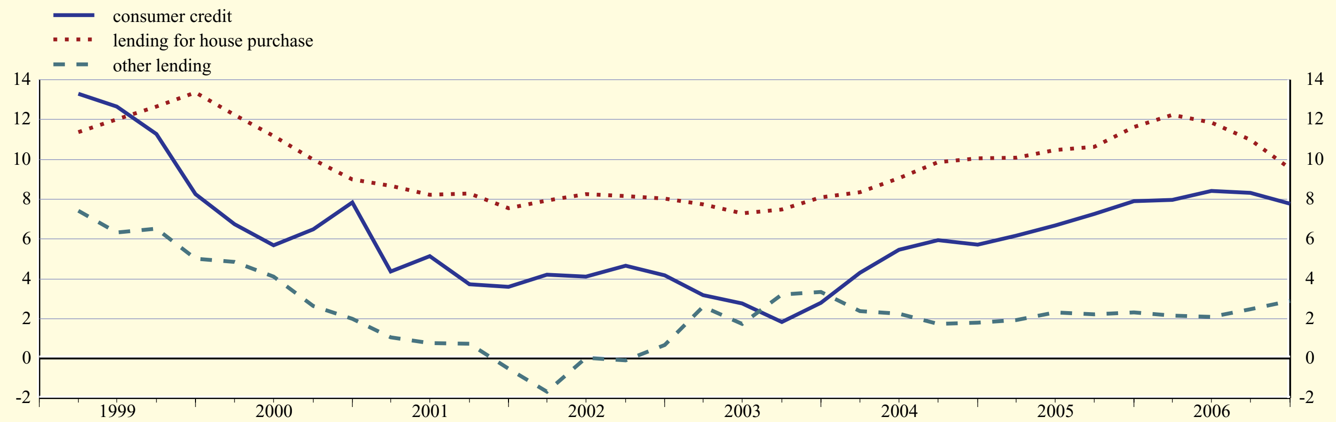
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [3)]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2
2005	4,193.3	554.1	129.1	200.7	224.3	2,917.7	15.2	67.5	2,835.0	721.6	147.3	99.9	474.4
2006 Q1	4,282.5	557.1	126.2	200.9	230.1	3,006.3	15.1	67.9	2,923.4	719.1	146.4	98.1	474.5
Q2	4,386.2	576.1	130.6	205.5	240.0	3,081.7	15.8	70.0	2,995.9	728.4	150.7	98.3	479.5
Q3	4,461.1	582.9	130.2	206.1	246.5	3,149.5	16.4	70.9	3,062.2	728.7	146.7	99.1	483.0
2006 Oct.	4,482.3	584.3	131.9	206.0	246.4	3,168.7	15.6	71.2	3,081.9	729.2	146.0	99.3	484.0
Nov.	4,516.9	585.3	131.7	206.5	247.0	3,195.6	15.8	71.0	3,108.8	736.0	150.1	100.0	485.9
Dec.	4,535.7	588.2	134.1	205.2	248.9	3,213.7	16.2	71.7	3,125.8	733.7	148.0	100.1	485.7
2007 Jan. (p)	4,552.6	586.7	133.3	205.0	248.4	3,227.8	15.5	71.4	3,140.8	738.1	145.3	101.2	491.7
	Transactions												
2004	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1
2005	359.8	40.7	9.0	11.6	20.0	302.9	0.7	4.8	297.4	16.2	3.8	1.3	11.1
2006 Q1	78.3	5.2	-2.2	1.2	6.2	71.8	0.0	0.4	71.4	1.2	-0.2	0.4	1.0
Q2	105.4	19.3	4.5	4.3	10.4	75.6	0.6	1.9	73.0	10.5	4.5	0.7	5.4
Q3	78.1	8.8	0.2	0.8	7.8	68.5	0.7	0.9	66.9	0.9	-4.0	0.8	4.1
2006 Oct.	22.0	3.1	1.5	0.0	1.6	17.8	-0.4	0.3	17.9	1.1	-0.7	0.4	1.5
Nov.	36.5	2.4	0.4	0.7	1.4	26.8	0.3	-0.2	26.7	7.3	4.0	0.8	2.4
Dec.	22.7	4.1	2.5	-0.7	2.2	18.9	0.4	0.7	17.8	-0.3	-1.9	0.8	0.8
2007 Jan. (p)	12.0	-3.5	-0.8	-0.9	-1.8	15.9	-0.3	-0.1	16.3	-0.5	-1.5	-0.6	1.6
	Growth rates												
2004 Dec.	7.9	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.6	5.2	7.5	11.8	2.3	2.6	1.3	2.4
2006 Mar.	9.8	8.0	5.9	5.8	11.1	12.2	6.9	6.0	12.4	2.2	1.6	2.1	2.4
June	9.6	8.4	6.2	4.8	13.1	11.8	7.5	8.1	12.0	2.1	0.8	2.4	2.4
Sep.	9.1	8.3	5.1	4.1	14.0	11.0	9.5	7.3	11.1	2.5	1.3	3.2	2.7
2006 Oct.	8.7	8.0	5.2	3.5	13.7	10.4	9.4	7.3	10.5	2.5	1.3	3.6	2.6
Nov.	8.7	7.9	5.9	3.5	13.1	10.2	10.6	6.4	10.3	3.1	2.2	3.8	3.2
Dec.	8.2	7.8	5.5	3.1	13.3	9.5	11.2	6.1	9.6	2.9	1.1	4.1	3.2
2007 Jan. (p)	7.9	6.9	5.1	2.9	11.6	9.3	10.5	6.3	9.4	2.8	0.5	4.1	3.3

C6 Loans to households [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

3) Including non-profit institutions serving households.

2.4 MFI loans, breakdown [1), 2)]

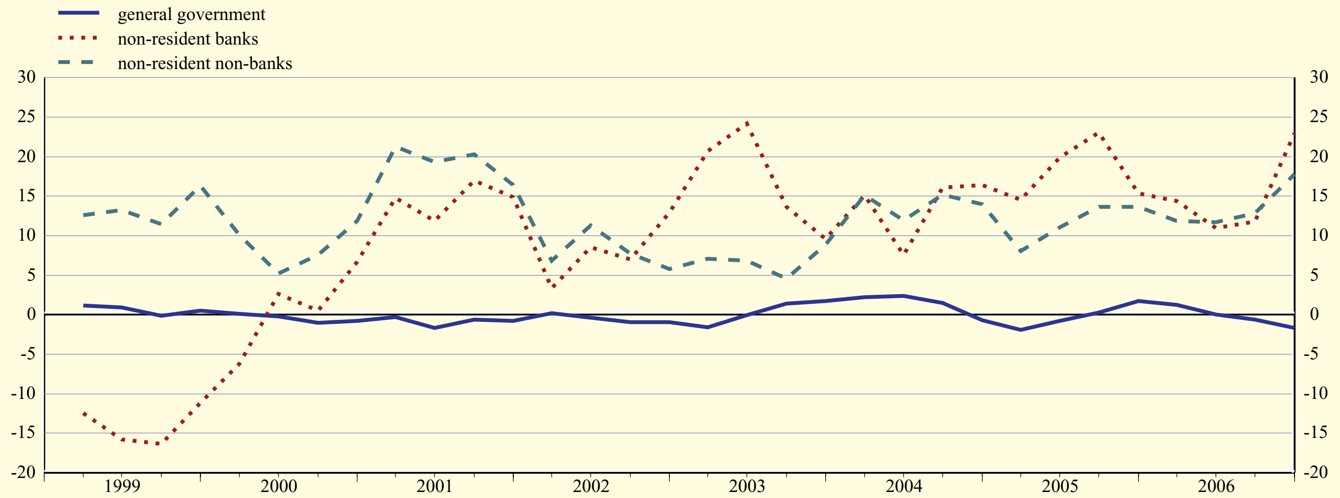
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006 Q1	816.3	118.5	240.9	427.7	29.2	2,594.7	1,821.6	773.1	62.9	710.2
Q2	809.3	106.7	234.5	436.0	32.0	2,611.3	1,839.9	771.5	66.5	705.0
Q3	804.2	101.8	230.1	436.6	35.7	2,735.9	1,919.9	816.1	66.5	749.6
Q4 (p)	809.9	104.1	232.5	439.0	34.2	2,912.9	2,055.1	857.8	66.9	790.9
	Transactions									
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	4.7	84.3
2006 Q1	-10.4	-6.3	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.5	3.6	9.9
Q3	-3.0	-2.7	-4.3	0.4	3.6	120.2	75.8	44.3	-0.7	45.0
Q4 (p)	6.5	3.1	2.4	2.5	-1.4	216.5	161.4	55.2	1.0	54.1
	Growth rates									
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	7.7	14.2
2006 Mar.	1.2	-8.0	-3.9	5.8	29.5	13.7	14.4	11.9	1.7	12.9
June	0.1	-13.9	-6.3	7.4	12.2	11.2	10.9	11.7	7.3	12.1
Sep.	-0.6	-12.8	-7.9	6.5	9.1	12.1	11.8	12.8	2.9	13.8
Dec. (p)	-1.7	-14.0	-5.8	3.1	17.1	21.4	23.0	17.8	1.4	19.4

C7 Loans to government and non-euro area residents [2)]

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term “banks” is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

2.5 Deposits held with MFIs, breakdown [1), 2)]

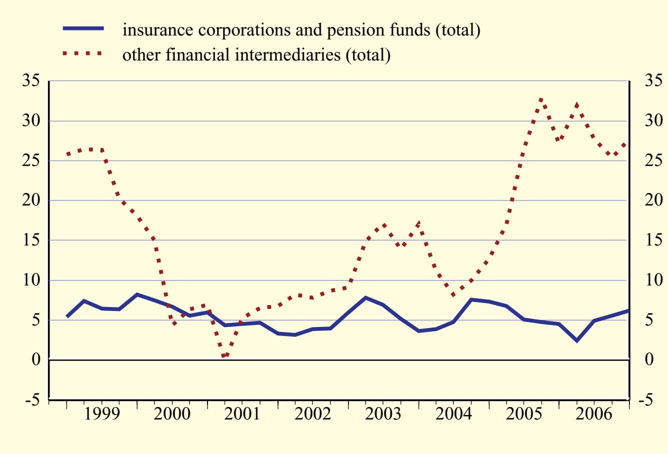
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	882.8	233.9	185.0	332.2	10.5	0.1	121.1
2006 Q1	613.0	65.6	50.4	474.8	1.1	1.4	19.7	989.2	271.5	195.1	376.3	11.0	0.1	135.2
Q2	625.7	68.6	47.9	484.7	1.0	1.4	22.1	1,048.2	278.1	213.3	407.0	10.8	0.2	138.8
Q3	637.3	66.8	51.1	492.7	1.0	1.4	24.4	1,084.9	272.2	236.0	420.8	10.2	0.3	145.5
2006 Oct.	637.6	66.0	48.3	493.0	1.0	1.4	27.9	1,091.5	260.4	240.8	443.8	10.2	0.2	136.0
Nov.	636.3	63.7	50.4	492.6	1.0	1.4	27.2	1,121.3	271.5	245.0	456.4	10.8	0.2	137.3
Dec.	649.9	70.2	57.0	495.3	1.0	1.4	24.9	1,132.8	276.4	251.6	472.2	10.6	0.2	121.8
2007 Jan. (p)	656.3	72.5	57.7	499.4	1.0	1.4	24.3	1,173.7	306.5	252.5	471.1	10.4	0.2	133.0
	Transactions													
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	178.4	40.1	37.3	99.2	1.5	0.0	0.4
2006 Q1	0.6	-2.0	-1.4	5.0	-0.1	0.0	-0.8	98.2	38.3	10.7	34.4	0.5	0.0	14.2
Q2	12.9	3.0	-2.4	10.0	0.0	0.0	2.4	61.7	7.6	18.5	31.3	-0.1	0.1	4.3
Q3	11.4	-1.9	3.2	8.0	-0.1	0.0	2.2	35.9	-6.6	22.5	14.0	-0.7	0.1	6.7
2006 Oct.	0.4	-0.7	-2.8	0.3	0.0	0.0	3.6	5.4	-11.8	4.9	21.8	0.1	0.0	-9.5
Nov.	-1.0	-2.2	2.2	-0.4	0.0	0.0	-0.7	33.3	12.0	5.5	13.7	0.7	0.0	1.4
Dec.	13.6	6.5	6.6	2.8	0.0	0.0	-2.3	11.4	5.0	6.6	15.7	-0.2	0.0	-15.6
2007 Jan. (p)	5.8	2.2	0.3	4.0	0.0	0.0	-0.7	31.0	23.5	-6.0	2.6	-0.4	0.0	11.2
	Growth rates													
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	27.2	22.2	25.0	48.4	14.3	-	0.4
2006 Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	31.9	20.7	41.8	53.2	6.1	-	4.7
June	4.9	11.8	-1.7	4.6	-8.9	0.8	7.5	27.7	18.2	43.5	43.4	-1.8	-	-1.8
Sep.	5.6	10.9	-0.4	5.5	-12.0	-3.8	8.6	25.4	7.9	39.3	41.0	-3.2	-	8.4
2006 Oct.	4.4	-1.3	-0.2	5.2	-13.5	-4.4	16.2	24.1	7.8	37.1	43.9	-6.0	-	-3.9
Nov.	5.0	-6.2	19.4	4.8	-14.3	-3.8	17.9	27.4	16.2	37.9	42.5	-1.1	-	0.5
Dec.	6.2	4.1	10.5	5.5	-16.0	-3.4	21.2	27.8	19.0	37.3	38.7	2.9	-	1.3
2007 Jan. (p)	5.7	0.2	15.6	5.9	-13.3	-3.5	-1.4	26.6	16.1	38.7	37.9	4.1	-	2.6

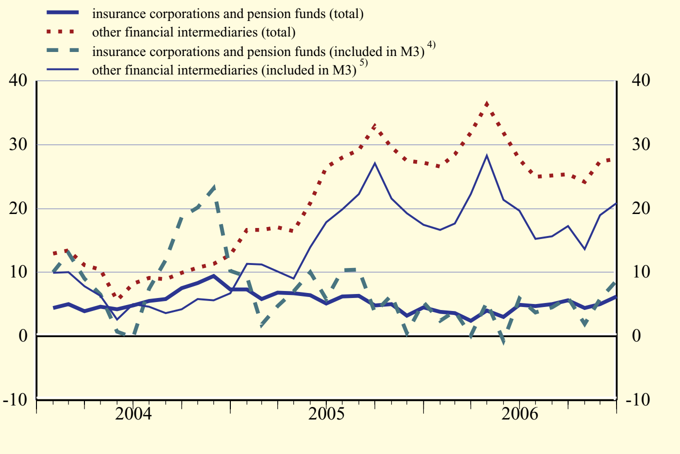
C8 Total deposits by sector [2)]

(annual growth rates)



C9 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) This category includes investment funds.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown [1), 2)]

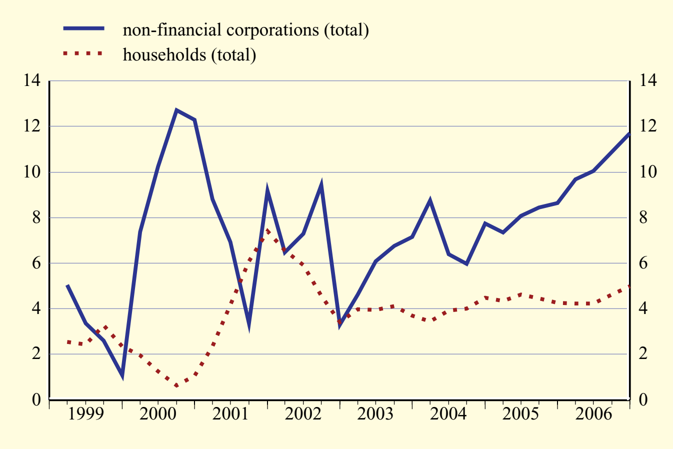
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations: Total	Overnight	With agreed maturity: Up to 2 years	With agreed maturity: Over 2 years	Redeemable at notice: Up to 3 months	Redeemable at notice: Over 3 months	Repos	Households [3)]: Total	Overnight	With agreed maturity: Up to 2 years	With agreed maturity: Over 2 years	Redeemable at notice: Up to 3 months	Redeemable at notice: Over 3 months	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006 Q1	1,199.9	745.5	313.0	71.9	46.7	1.2	21.6	4,355.8	1,673.8	549.3	623.6	1,367.7	86.3	55.1
Q2	1,236.7	783.6	313.0	73.2	43.6	1.2	22.0	4,422.9	1,725.6	569.4	616.5	1,363.9	89.0	58.5
Q3	1,269.0	790.6	334.7	73.4	43.8	1.3	25.1	4,439.1	1,703.2	613.8	608.9	1,355.4	93.0	64.8
2006 Oct.	1,277.1	782.1	353.9	72.3	42.5	1.3	24.9	4,442.8	1,695.7	629.9	605.2	1,350.0	95.1	66.9
Nov.	1,289.4	799.7	351.3	71.3	42.0	1.3	23.7	4,452.6	1,698.2	644.6	602.1	1,341.5	97.7	68.5
Dec.	1,344.8	852.1	356.6	69.5	40.5	1.3	24.7	4,554.6	1,750.3	669.5	606.6	1,358.3	99.8	70.0
2007 Jan. (p)	1,302.3	806.8	359.2	69.9	39.5	2.1	24.9	4,551.0	1,716.5	701.4	601.7	1,356.8	101.7	72.7
	Transactions													
2004	80.8	48.5	17.1	6.6	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Q1	-10.4	-23.0	8.9	4.8	2.0	0.0	-3.1	14.0	-11.9	16.0	-8.1	13.9	1.8	2.3
Q2	40.0	39.3	2.0	1.3	-3.0	0.0	0.4	68.5	52.2	21.0	-7.0	-3.7	2.7	3.4
Q3	32.0	6.9	21.6	0.2	0.2	0.0	3.1	17.5	-22.2	44.3	-6.3	-8.5	3.9	6.3
2006 Oct.	9.3	-8.5	19.2	0.1	-1.3	0.0	-0.1	3.8	-7.5	16.1	-3.7	-5.4	2.1	2.1
Nov.	14.7	18.6	-1.4	-0.8	-0.5	0.0	-1.2	11.1	2.8	15.6	-3.0	-8.4	2.6	1.6
Dec.	55.5	52.4	5.3	-1.8	-1.4	0.0	1.0	102.1	52.2	24.9	4.5	16.8	2.1	1.5
2007 Jan. (p)	-45.1	-46.7	2.6	0.4	-1.4	0.0	0.1	-15.8	-40.2	26.8	-5.5	-1.5	1.8	2.7
	Growth rates													
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Mar.	9.7	9.8	11.5	6.6	14.2	-27.6	-9.8	4.2	7.4	6.6	-1.7	3.2	-2.7	7.6
June	10.1	8.9	15.4	8.3	4.3	-19.5	1.1	4.2	6.0	11.5	-2.5	2.2	2.1	14.9
Sep.	10.9	10.1	13.9	14.0	-0.5	4.2	10.6	4.6	4.8	19.2	-2.8	1.1	10.8	25.7
2006 Oct.	9.7	6.7	18.0	12.8	-4.8	4.6	18.8	4.7	4.1	21.8	-3.2	0.9	14.0	30.7
Nov.	10.3	8.1	19.2	10.1	-6.6	4.9	0.9	4.6	3.5	24.1	-3.4	0.5	16.9	30.5
Dec.	11.7	11.2	18.4	5.6	-9.2	5.9	0.4	5.0	3.9	25.9	-3.8	0.3	18.2	32.7
2007 Jan. (p)	10.2	9.1	20.1	2.3	-17.5	6.1	-2.5	4.7	2.5	30.4	-4.3	-0.6	19.4	36.8

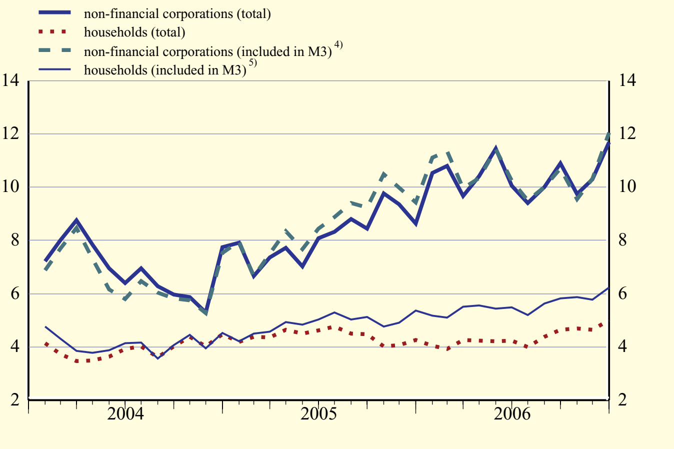
C10 Total deposits by sector [2)]

(annual growth rates)



C11 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown 1), 2)

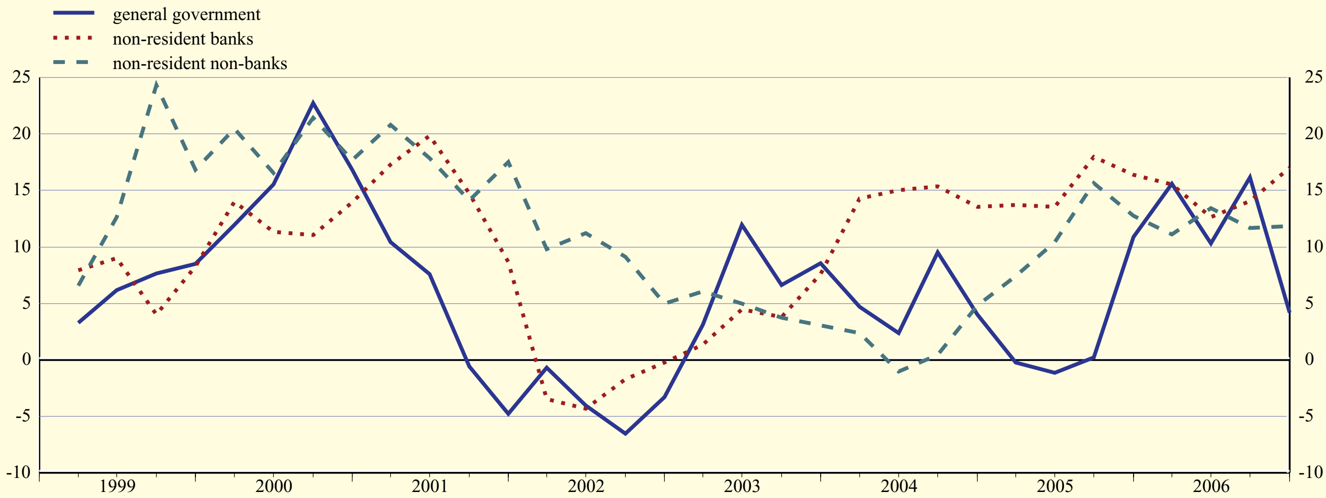
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3	333.0	147.7	41.6	83.5	60.2	3,369.2	2,492.1	877.1	133.3	743.7
Q4 (p)	326.2	122.6	45.4	90.1	68.1	3,419.2	2,552.1	867.1	128.4	738.7
	Transactions									
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3	15.8	9.6	2.0	0.9	3.3	157.5	117.5	40.0	5.1	34.9
Q4 (p)	-7.9	-25.0	3.8	5.5	7.9	97.1	99.3	-2.1	-4.9	2.8
	Growth rates									
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.0	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep.	16.2	10.1	15.8	17.2	33.3	13.4	14.0	11.7	6.5	12.7
Dec. (p)	4.2	-17.2	18.4	10.0	52.5	15.7	17.0	11.8	2.1	13.7

C12 Deposits by government and non-euro area residents 2)

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

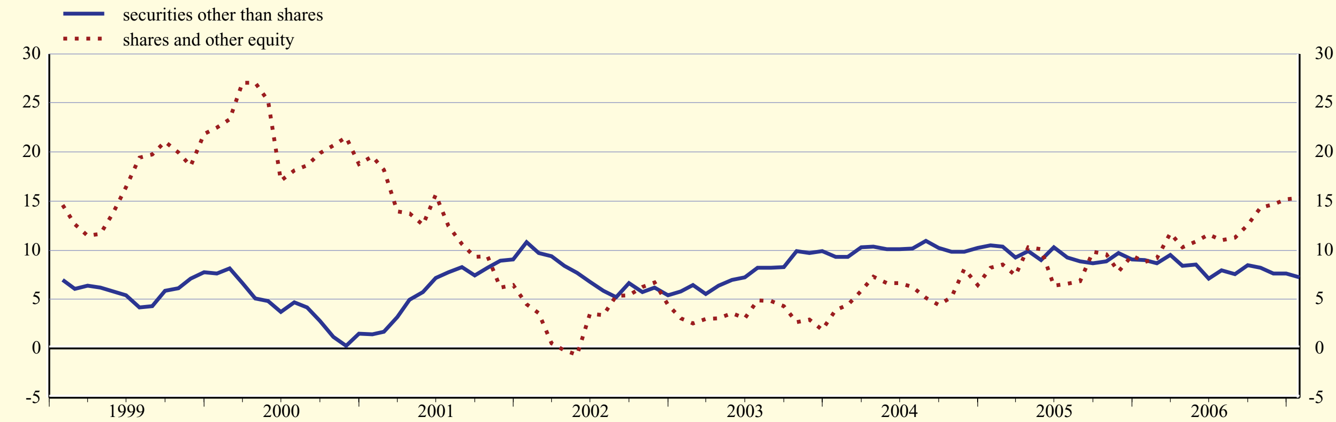
2.6 MFI holdings of securities, breakdown [1), 2)]

(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2004	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006 Q1	4,551.2	1,501.6	69.3	1,423.8	16.6	544.9	28.6	966.3	1,359.5	323.6	773.0	262.9
Q2	4,565.7	1,519.5	65.8	1,385.6	17.2	572.6	27.4	977.7	1,367.8	334.5	774.7	258.7
Q3	4,652.8	1,557.7	68.9	1,334.7	16.7	589.3	28.7	1,056.8	1,415.5	342.4	797.2	275.8
2006 Oct.	4,691.8	1,568.4	69.7	1,324.5	16.6	602.3	30.3	1,080.0	1,447.4	344.1	814.8	288.5
Nov.	4,722.3	1,575.4	70.1	1,323.1	16.5	609.1	28.9	1,099.1	1,479.7	372.2	823.9	283.6
Dec.	4,663.9	1,558.2	72.3	1,259.8	16.2	618.9	29.7	1,108.8	1,489.3	377.5	816.2	295.7
2007 Jan. (p)	4,758.9	1,584.5	75.0	1,278.5	16.2	620.5	30.6	1,153.7	1,529.6	386.3	833.9	309.5
	Transactions											
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	356.2	85.7	2.0	52.3	-0.9	71.9	7.7	137.6	109.1	26.5	53.4	29.2
2006 Q1	172.6	59.2	3.6	23.4	0.2	22.2	3.4	60.7	89.2	10.7	67.2	11.3
Q2	45.4	15.1	-2.0	-20.8	1.0	29.1	-0.4	23.3	17.4	13.5	8.0	-4.0
Q3	72.4	39.0	4.1	-58.2	-0.7	18.6	1.2	68.4	25.6	2.1	10.0	13.4
2006 Oct.	37.1	10.9	0.6	-9.0	-0.1	12.8	1.5	20.5	26.5	1.0	14.7	10.8
Nov.	61.0	14.1	2.2	-1.4	0.4	9.5	-0.6	36.8	29.4	28.4	6.3	-5.3
Dec.	-54.1	-17.7	2.3	-59.3	-0.2	11.2	0.9	8.7	5.7	3.4	-10.0	12.3
2007 Jan. (p)	76.2	25.2	1.7	13.7	-0.7	1.6	0.5	34.2	36.4	7.3	14.9	14.2
	Growth rates											
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.0	6.3	3.6	4.2	-4.5	16.0	43.8	18.2	9.5	9.4	8.0	13.6
2006 Mar.	9.5	8.3	1.2	1.6	-0.4	16.5	68.1	21.1	11.7	9.9	15.3	3.8
June	7.1	5.9	1.0	-0.9	12.4	17.4	50.7	15.9	11.6	12.6	12.3	8.3
Sep.	8.5	8.5	6.9	-3.6	1.7	22.0	50.5	19.6	12.6	12.7	12.9	11.2
2006 Oct.	8.2	8.9	5.1	-5.3	-1.0	21.3	38.8	20.7	14.3	13.0	13.7	17.9
Nov.	7.6	9.3	6.9	-8.2	2.2	19.3	27.0	23.4	14.7	17.1	14.2	12.9
Dec.	7.6	8.3	16.5	-9.0	3.1	19.8	23.9	24.1	15.2	18.8	13.6	15.2
2007 Jan. (p)	7.2	8.0	24.7	-9.6	-2.7	19.1	18.7	23.5	15.3	17.3	13.3	18.4

C13 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.7 Revaluation of selected MFI balance sheet items [1), 2)]
(EUR billions)

1. Write-offs/write-downs of loans to households [3)]

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Q1	-1.1	-0.4	-0.2	-0.5	-1.3	-0.1	0.0	-1.2	-2.0	-0.5	-0.3	-1.2
Q2	-0.7	-0.2	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-1.4	-0.1	-0.6	-0.7
Q3	-0.9	-0.3	-0.2	-0.3	-0.4	0.0	0.0	-0.4	-1.1	-0.1	-0.3	-0.7
2006 Oct.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Nov.	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.3
Dec.	-0.6	-0.2	-0.2	-0.3	-0.6	-0.1	0.0	-0.5	-1.3	-0.2	-0.5	-0.5
2007 Jan. (p)	-0.5	-0.2	-0.1	-0.2	-0.5	0.0	0.0	-0.4	-0.9	-0.3	-0.1	-0.5

2. Write-offs/write-downs of loans to non-financial corporations and non-euro area residents

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
Q2	-2.6	-0.6	-1.1	-0.9	-0.1	0.0	0.0
Q3	-2.5	-0.5	-1.2	-0.9	-0.2	0.0	-0.2
2006 Oct.	-0.4	0.1	-0.2	-0.3	0.0	0.0	0.0
Nov.	-0.7	-0.2	-0.2	-0.4	-0.1	0.0	-0.1
Dec.	-2.9	-0.6	-1.2	-1.1	-0.2	0.0	-0.2
2007 Jan. (p)	-1.4	-0.5	-0.4	-0.6	0.0	0.0	0.0

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006 Q1	-6.6	-1.2	-0.1	-4.1	-0.1	-0.8	-0.1	-0.3	15.9	4.0	6.6	5.3
Q2	-9.0	0.2	-0.1	-4.2	0.0	-1.2	-0.1	-3.6	-10.8	-2.2	-6.4	-2.2
Q3	11.7	2.0	0.0	6.0	0.0	1.3	0.0	2.3	14.0	3.0	8.1	2.8
2006 Oct.	0.4	0.2	0.0	-1.6	0.0	0.8	0.0	1.0	5.3	0.7	2.7	1.9
Nov.	2.1	0.4	-0.1	1.8	-0.1	0.4	0.0	-0.2	2.9	-0.4	2.8	0.4
Dec.	-4.8	-0.5	-0.1	-3.6	0.0	-1.0	-0.1	0.5	4.0	2.0	2.3	-0.3
2007 Jan. (p)	4.4	-1.2	0.1	1.8	0.0	0.0	0.0	3.8	2.7	0.6	1.9	0.2

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items [1)]

(percentages of total; outstanding amounts in EUR billions; end of period)

1. Deposits

	MFIs [2)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [3)]	Non-euro currencies					All currencies (outstanding amount)	Euro [3)]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,363.4	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,470.1	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,650.8	96.6	3.4	2.0	0.3	0.1	0.6
Q3	5,091.2	90.4	9.6	5.7	0.4	1.5	1.2	7,763.2	96.4	3.6	2.2	0.3	0.1	0.6
Q4 (p)	5,245.2	90.7	9.3	5.7	0.4	1.4	1.2	8,008.3	96.4	3.6	2.2	0.3	0.1	0.6
	By non-euro area residents													
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.4	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3	2,492.1	47.3	52.7	34.4	2.2	2.6	10.3	877.1	51.7	48.3	31.2	1.6	2.1	10.1
Q4 (p)	2,552.1	45.2	54.8	35.7	2.4	2.6	11.1	867.1	51.7	48.3	31.5	1.3	1.9	10.4

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [3)]	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3	4,383.1	80.9	19.1	9.8	1.6	1.9	3.3
Q4 (p)	4,482.6	80.5	19.5	10.0	1.6	1.9	3.5

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) For non-euro area residents, the term “MFIs” refers to institutions of a similar type to euro area MFIs.
3) Including items expressed in the national denominations of the euro.

2.8 Currency breakdown of selected MFI balance sheet items [1]

(percentages of total; outstanding amounts in EUR billions; end of period)

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2004	4,457.8	-	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4
2005	4,569.7	-	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5
2006 Q1	4,656.3	-	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5
Q2	4,730.3	-	-	-	-	-	-	9,593.6	96.4	3.6	1.7	0.1	1.2	0.5
Q3	4,790.8	-	-	-	-	-	-	9,789.3	96.3	3.7	1.7	0.1	1.2	0.6
Q4 (p)	4,929.0	-	-	-	-	-	-	9,964.2	96.4	3.6	1.6	0.1	1.1	0.5
	To non-euro area residents													
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006 Q1	1,821.6	49.6	50.4	30.3	3.8	2.4	9.2	773.1	38.9	61.1	44.1	1.7	3.9	7.8
Q2	1,839.9	49.6	50.4	29.4	2.8	2.4	10.6	771.5	40.3	59.7	42.2	1.1	4.1	8.3
Q3	1,919.9	50.2	49.8	29.1	2.3	2.4	10.8	816.1	41.2	58.8	41.1	1.8	3.8	8.5
Q4 (p)	2,055.1	50.6	49.4	29.3	2.2	2.3	10.8	857.8	40.2	59.8	42.6	1.2	4.0	8.6

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.7	97.8	2.2	1.2	0.3	0.1	0.6
Q3	1,626.6	95.8	4.2	2.2	0.2	0.3	1.2	1,969.4	97.7	2.3	1.3	0.3	0.1	0.6
Q4 (p)	1,630.6	95.6	4.4	2.3	0.3	0.3	1.3	1,924.5	97.6	2.4	1.3	0.3	0.1	0.7
	Issued by non-euro area residents													
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006 Q1	426.5	52.8	47.2	26.8	0.8	0.5	15.7	539.8	39.6	60.4	33.8	5.3	0.8	14.8
Q2	439.9	53.5	46.5	26.8	0.9	0.5	15.0	537.8	40.1	59.9	33.5	5.6	0.8	14.6
Q3	475.2	52.4	47.6	28.4	0.7	0.6	14.5	581.6	38.2	61.8	35.6	4.7	0.8	15.4
Q4 (p)	510.7	52.5	47.5	28.4	0.7	0.4	14.5	598.0	38.7	61.3	35.6	4.5	0.8	15.7

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) For non-euro area residents, the term “MFIs” refers to institutions of a similar type to euro area MFIs.
3) Including items expressed in the national denominations of the euro.

2.9 Aggregated balance sheet of euro area investment funds [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
2005 Q2	4,313.4	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.0
Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2	5,135.6	316.7	1,908.3	145.2	1,763.1	1,776.1	600.9	180.3	353.2
Q3 (p)	5,355.2	315.5	1,983.9	178.4	1,805.5	1,865.1	637.1	181.3	372.2

2. Liabilities

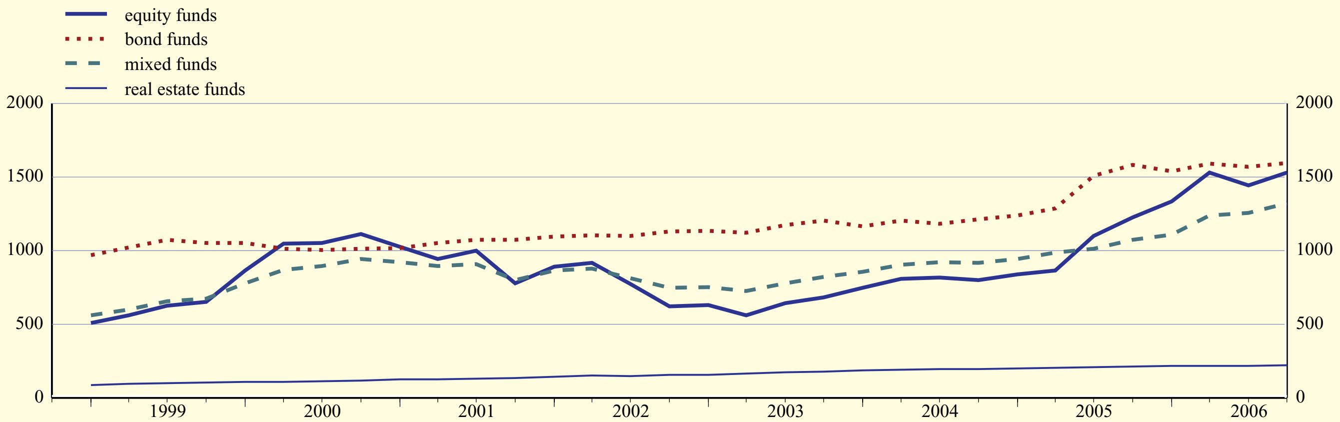
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2005 Q2	4,313.4	58.6	4,034.4	220.4
Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2	5,135.6	76.4	4,787.2	271.9
Q3 (p)	5,355.2	75.7	4,992.4	287.0

3. Total assets/liabilities broken down by investment policy and type of investor

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2005 Q2	4,313.4	1,097.2	1,510.2	1,011.1	207.1	487.9	3,245.6	1,067.9
Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2	5,135.6	1,441.6	1,569.3	1,256.4	217.4	650.9	3,910.9	1,224.7
Q3 (p)	5,355.2	1,531.2	1,597.0	1,320.4	221.0	685.6	4,080.6	1,274.5

C14 Total assets of investment funds [2]

(EUR billions)



Source: ECB.

1) Other than money market funds. For further details, see the General notes.

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.10 Assets of euro area investment funds broken down by investment policy and type of investor

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
				Equity funds					
2005 Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2	1,441.6	52.2	51.3	6.4	44.9	1,220.3	69.2	-	48.6
Q3 (p)	1,531.2	53.6	75.9	33.2	42.7	1,281.3	68.2	-	52.3
				Bond funds					
2005 Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3 (p)	1,597.0	105.5	1,285.6	86.6	1,199.0	41.5	51.0	-	113.4
				Mixed funds					
2005 Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2	1,256.4	71.9	483.9	40.3	443.6	318.3	253.6	0.2	128.5
Q3 (p)	1,320.4	68.1	509.6	45.1	464.5	331.9	273.2	0.3	137.2
				Real estate funds					
2005 Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9
Q3 (p)	221.0	16.4	6.0	1.6	4.4	1.9	6.2	180.1	10.4

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
				General public funds			
2005 Q2	3,245.6	247.7	1,207.1	1,125.1	313.7	144.8	207.2
Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2	3,910.9	256.9	1,321.1	1,448.1	452.1	151.2	281.5
Q3 (p)	4,080.6	260.1	1,371.5	1,527.7	473.7	151.1	296.5
				Special investors' funds			
2005 Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2	1,224.7	59.9	587.2	328.1	148.8	29.1	71.7
Q3 (p)	1,274.5	55.4	612.4	337.3	163.4	30.2	75.7

Source: ECB.

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

	Total	Currency and deposits									Memo: deposits of non-MFIs with banks outside the euro area
		Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2005 Q2	17,432.6	6,535.9	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	343.4	369.7
Q3	17,796.2	6,536.5	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	349.1	389.2
Q4	18,205.4	6,737.7	465.5	5,732.3	2,559.1	1,604.4	1,488.5	80.3	173.6	366.4	366.8
2006 Q1	18,674.1	6,759.1	459.4	5,733.7	2,517.7	1,629.2	1,505.9	80.9	193.1	372.9	376.9
Q2	18,756.9	6,913.7	478.9	5,859.1	2,619.4	1,653.9	1,501.6	84.2	207.4	368.2	385.5
Q3	19,063.8	6,957.3	486.8	5,908.4	2,601.6	1,715.7	1,497.1	93.9	202.9	359.2	373.9
	Transactions										
2005 Q2	300.6	163.6	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	7.3	-12.5
Q3	101.3	0.8	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	5.4	11.4
Q4	292.7	204.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	16.6	-12.3
2006 Q1	142.8	23.9	-6.1	4.2	-40.5	26.6	17.5	0.6	19.6	6.3	4.6
Q2	303.7	160.2	19.6	130.1	103.2	27.7	-4.1	3.3	15.2	-4.7	-0.9
Q3	177.0	55.6	7.9	50.4	-17.7	62.9	-4.5	9.7	-4.5	1.9	-16.4
	Growth rates										
2005 Q2	4.6	5.8	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	7.3	1.4
Q3	4.5	5.4	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	5.8	1.5
Q4	5.1	6.0	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	6.9	2.7
2006 Q1	4.9	6.2	12.2	5.6	8.4	4.5	2.9	2.7	2.9	10.6	-2.4
Q2	4.8	6.0	10.9	5.8	7.1	7.0	2.2	9.2	-1.6	6.9	0.8
Q3	5.1	6.8	10.7	6.4	6.7	9.7	1.6	20.7	11.7	5.8	-6.4

	Securities other than shares			Shares [1]				Insurance technical reserves		
	Total	Short-term	Long-term	Total	Quoted shares	Investment fund and money market fund shares/units		Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
							Money market fund shares/units			
	12	13	14	15	16	17	18	19	20	21
	Outstanding amounts									
2005 Q2	1,997.8	237.8	1,760.0	4,447.7	2,366.9	2,080.8	409.2	4,451.2	4,042.5	408.7
Q3	1,990.7	236.2	1,754.6	4,710.3	2,549.3	2,161.0	410.3	4,558.7	4,144.7	414.0
Q4	1,968.5	219.0	1,749.5	4,839.6	2,669.5	2,170.0	400.5	4,659.5	4,242.0	417.5
2006 Q1	2,044.7	251.2	1,793.5	5,121.4	2,911.7	2,209.8	379.0	4,748.9	4,327.4	421.5
Q2	2,068.3	253.1	1,815.2	4,980.6	2,837.5	2,143.1	378.1	4,794.2	4,371.0	423.3
Q3	2,111.0	259.7	1,851.3	5,120.6	2,959.6	2,161.0	383.8	4,874.8	4,448.8	426.0
	Transactions									
2005 Q2	26.2	8.4	17.7	34.4	21.4	13.0	-0.7	76.4	72.0	4.4
Q3	-3.2	4.7	-7.9	26.9	-6.7	33.6	3.0	76.7	71.3	5.4
Q4	0.3	-17.3	17.6	2.4	1.7	0.7	-8.4	85.9	82.3	3.6
2006 Q1	62.9	31.8	31.1	-31.4	-44.8	13.4	4.2	87.5	82.0	5.4
Q2	36.0	4.3	31.7	41.7	45.7	-4.1	-2.3	65.7	64.2	1.6
Q3	48.7	12.2	36.5	4.3	17.4	-13.1	7.1	68.5	68.4	0.1
	Growth rates									
2005 Q2	3.5	8.8	2.8	0.6	-0.9	2.3	-3.3	7.2	7.3	5.7
Q3	2.6	7.6	1.9	0.9	-1.6	3.6	-1.8	7.4	7.6	6.1
Q4	2.3	-2.9	3.1	2.5	0.9	4.2	0.1	7.6	7.7	6.1
2006 Q1	4.4	12.0	3.4	0.7	-1.2	3.0	-0.5	7.5	7.8	4.7
Q2	4.8	9.9	4.1	0.9	-0.2	2.1	-0.9	7.1	7.4	3.9
Q3	7.4	13.1	6.7	0.4	0.8	-0.1	0.2	6.7	7.2	2.6

Source: ECB.
1) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from outside the euro area by non-MFIs
		Total		General government			Non-financial corporations			Households [1]			
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2005 Q2	18,808.1	9,251.4	8,110.3	926.7	82.2	844.5	3,912.2	1,241.4	2,670.8	4,412.4	303.2	4,109.2	528.5
Q3	19,270.4	9,381.7	8,240.1	931.0	87.5	843.4	3,947.4	1,228.4	2,718.9	4,503.4	300.7	4,202.7	555.5
Q4	19,544.9	9,624.3	8,450.6	937.9	79.8	858.1	4,062.7	1,270.6	2,792.1	4,623.7	307.1	4,316.6	588.9
2006 Q1	20,179.7	9,848.4	8,645.3	932.6	86.7	845.9	4,199.9	1,290.9	2,909.0	4,715.9	302.4	4,413.5	648.1
Q2	20,255.2	10,071.9	8,856.4	919.0	88.7	830.3	4,330.0	1,339.9	2,990.1	4,822.9	311.9	4,511.0	689.1
Q3	20,643.4	10,244.1	9,017.2	911.1	90.5	820.6	4,429.4	1,355.4	3,074.0	4,903.6	309.1	4,594.6	750.8
	Transactions												
2005 Q2	341.9	199.1	187.8	0.8	4.8	-4.0	84.4	39.1	45.3	113.8	10.5	103.3	51.6
Q3	205.6	130.8	133.4	4.5	5.3	-0.9	33.2	-16.8	50.0	93.1	-2.5	95.6	28.6
Q4	280.5	267.7	227.0	14.4	-7.5	21.9	131.1	45.3	85.8	122.2	6.5	115.7	45.6
2006 Q1	303.0	205.7	176.8	-5.0	6.9	-12.0	122.0	22.2	99.7	88.8	-2.3	91.0	56.7
Q2	327.8	242.7	219.0	-7.2	2.3	-9.5	136.7	49.1	87.5	113.2	9.8	103.4	67.0
Q3	206.7	182.8	166.4	-2.9	1.8	-4.7	101.6	21.1	80.5	84.1	-2.4	86.4	42.8
	Growth rates												
2005 Q2	4.8	6.2	6.6	-0.8	-10.1	0.2	5.2	4.8	5.3	8.7	4.9	9.0	18.3
Q3	5.1	6.6	7.1	0.2	-2.8	0.5	5.8	4.4	6.5	8.8	5.0	9.1	23.4
Q4	5.9	7.8	8.2	1.5	-0.9	1.7	7.7	6.1	8.4	9.3	5.2	9.6	32.0
2006 Q1	6.2	8.9	9.2	1.6	12.4	0.6	9.7	7.5	10.7	9.7	4.2	10.1	39.2
Q2	5.9	9.2	9.3	0.7	8.7	-0.1	10.8	8.0	12.1	9.5	3.8	9.9	37.5
Q3	5.8	9.6	9.6	-0.1	4.1	-0.5	12.4	11.2	13.0	9.1	3.9	9.4	38.2

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of general government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2005 Q2	5,713.7	5,031.8	625.2	4,406.7	681.9	246.1	435.8	3,242.4	293.6	307.0
Q3	5,702.6	5,025.8	611.3	4,414.5	676.8	239.3	437.5	3,579.5	296.1	310.5
Q4	5,620.2	4,957.5	586.9	4,370.6	662.7	234.0	428.7	3,674.9	311.7	313.8
2006 Q1	5,612.2	4,944.6	596.1	4,348.5	667.6	246.0	421.7	4,082.3	319.6	317.1
Q2	5,606.8	4,921.5	608.5	4,313.1	685.3	252.1	433.2	3,942.2	314.1	320.2
Q3	5,676.5	4,988.2	596.2	4,391.9	688.4	251.9	436.5	4,084.9	314.3	323.6
	Transactions									
2005 Q2	123.7	113.2	24.7	88.5	10.5	8.8	1.7	1.4	14.5	3.3
Q3	-10.5	-4.0	-13.6	9.7	-6.5	-6.9	0.4	79.3	2.6	3.4
Q4	-25.3	-20.0	-24.4	4.4	-5.3	-5.1	-0.2	20.5	14.4	3.3
2006 Q1	88.6	78.6	9.4	69.2	10.0	12.1	-2.1	-2.5	7.9	3.3
Q2	69.5	46.3	11.9	34.5	23.2	6.0	17.1	18.0	-5.4	3.0
Q3	16.8	10.7	-11.8	22.6	6.1	-0.6	6.7	3.4	0.2	3.5
	Growth rates									
2005 Q2	4.8	5.1	1.9	5.6	3.0	5.7	1.6	0.5	7.1	4.5
Q3	3.7	4.1	-0.3	4.7	0.8	4.3	-1.1	3.2	5.3	4.5
Q4	4.2	4.6	-0.4	5.3	1.3	5.5	-0.8	3.6	7.7	4.2
2006 Q1	3.2	3.5	-0.7	4.1	1.3	3.8	-0.1	3.1	14.1	4.4
Q2	2.1	2.0	-2.7	2.7	3.1	2.5	3.5	3.6	6.6	4.2
Q3	2.6	2.3	-2.5	3.0	5.0	5.2	4.9	1.1	5.8	4.2

Source: ECB.
1) Including non-profit institutions serving households.

3.3 Main financial assets and liabilities of insurance corporations and pension funds

(EUR billions and annual growth rates; outstanding amounts at end of period, transactions during the period)

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2005 Q2	4,534.1	595.8	61.2	511.3	2.7	20.6	365.8	67.5	298.3	1,839.3	84.5	1,754.8
Q3	4,707.6	602.9	60.0	517.7	2.7	22.4	372.7	73.2	299.4	1,885.5	82.2	1,803.3
Q4	4,802.2	612.6	67.8	521.6	2.6	20.6	376.1	79.0	297.0	1,911.5	84.8	1,826.7
2006 Q1	4,972.1	613.0	65.6	525.2	2.5	19.7	389.5	83.6	305.9	1,937.6	88.4	1,849.2
Q2	4,967.2	625.7	68.6	532.6	2.4	22.1	389.3	84.8	304.6	1,950.6	88.8	1,861.8
Q3	5,136.9	637.3	66.8	543.8	2.4	24.4	386.3	80.7	305.6	2,010.1	93.2	1,916.9
	Transactions											
2005 Q2	60.6	-2.0	-5.3	2.2	0.2	0.8	-4.4	1.4	-5.8	36.3	0.6	35.7
Q3	81.5	7.1	-1.2	6.4	0.1	1.8	2.2	1.2	1.1	36.2	-2.2	38.4
Q4	75.8	8.7	7.4	3.1	0.0	-1.9	1.3	5.4	-4.1	41.6	1.9	39.7
2006 Q1	94.5	0.6	-2.0	3.6	-0.1	-0.8	13.5	4.6	8.9	42.7	2.9	39.8
Q2	68.6	12.9	3.0	7.6	0.0	2.4	0.4	1.3	-0.8	28.7	-1.1	29.9
Q3	77.9	11.4	-1.9	11.2	-0.1	2.2	1.6	0.2	1.4	35.0	5.3	29.7
	Growth rates											
2005 Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-1.7	2.2	-2.6	9.7	6.2	9.9
Q3	7.0	4.8	-2.8	5.3	30.1	12.0	-1.0	4.3	-2.1	9.8	2.6	10.1
Q4	7.0	4.5	12.5	3.7	18.4	-0.8	-0.9	13.2	-3.9	9.2	-1.8	9.8
2006 Q1	7.1	2.4	-1.7	3.0	7.2	-0.3	3.4	18.9	0.0	8.8	3.8	9.1
Q2	7.1	4.9	11.8	4.0	-3.1	7.5	4.8	18.2	1.7	8.1	1.6	8.4
Q3	6.7	5.6	10.9	4.9	-6.9	8.6	4.5	15.5	1.8	7.9	10.8	7.7

	Main financial assets					Main liabilities							
	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Investment fund and money market fund shares/units	Money market fund shares/units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
	13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2005 Q2	1,598.1	759.7	838.4	86.1	135.1	4,663.5	92.8	63.8	22.2	223.3	4,325.2	3,707.5	617.7
Q3	1,708.9	830.4	878.6	86.9	137.7	4,801.8	92.4	65.2	22.9	251.2	4,435.3	3,808.5	626.8
Q4	1,762.2	859.4	902.9	79.6	139.8	4,910.0	66.3	64.6	23.0	285.9	4,534.8	3,900.4	634.4
2006 Q1	1,889.6	920.8	968.8	81.8	142.4	5,032.2	83.7	81.9	22.9	298.7	4,626.9	3,983.5	643.4
Q2	1,856.7	886.2	970.4	85.7	144.8	5,053.6	86.6	84.7	23.1	272.5	4,671.4	4,024.1	647.3
Q3	1,956.8	927.8	1,029.0	87.9	146.5	5,175.3	91.2	89.5	23.7	308.3	4,752.1	4,101.0	651.1
	Transactions												
2005 Q2	28.4	4.0	24.5	6.3	2.2	78.7	2.8	5.5	0.1	0.5	75.3	70.3	5.0
Q3	33.4	16.2	17.2	0.9	2.6	80.2	-0.4	1.4	0.6	1.1	78.9	69.7	9.3
Q4	22.6	0.4	22.2	-8.3	1.6	90.6	-0.5	-0.6	0.2	4.0	86.9	80.1	6.8
2006 Q1	33.9	-2.2	36.2	-0.1	3.8	107.6	17.3	17.1	0.0	0.1	90.3	79.5	10.7
Q2	23.2	5.4	17.8	3.4	3.3	67.8	3.0	2.8	0.3	0.1	64.4	61.2	3.2
Q3	27.6	6.9	20.7	0.9	2.4	76.8	4.5	4.8	0.5	4.1	67.7	64.6	3.0
	Growth rates												
2005 Q2	5.5	3.4	7.3	16.7	5.2	6.7	3.5	17.6	-4.4	1.4	7.1	7.5	5.0
Q3	6.8	4.3	9.0	19.4	5.4	7.1	1.1	22.8	6.7	0.9	7.5	7.8	5.5
Q4	7.4	3.8	10.7	-2.4	7.7	7.7	14.4	30.8	7.2	2.7	7.9	8.2	5.8
2006 Q1	7.8	2.5	12.6	-1.8	7.8	7.9	21.2	40.4	3.9	2.6	7.9	8.4	5.1
Q2	7.1	2.6	11.1	-4.8	8.4	7.4	20.8	32.5	4.7	2.4	7.4	7.8	4.9
Q3	6.3	1.3	11.0	-4.7	8.1	7.1	26.3	37.1	4.2	3.3	7.0	7.5	3.8

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	Changes in net worth [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5

2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares [2]	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

3. Households [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Gross disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7

Source: ECB.
1) Including net acquisition of valuables.
2) Excluding financial derivatives.
3) Financial derivatives and other accounts receivable/payable.
4) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
5) Including non-profit institutions serving households.
6) Gross saving divided by gross disposable income and net increase in claims on pension funds reserves.

4 FINANCIAL MARKETS

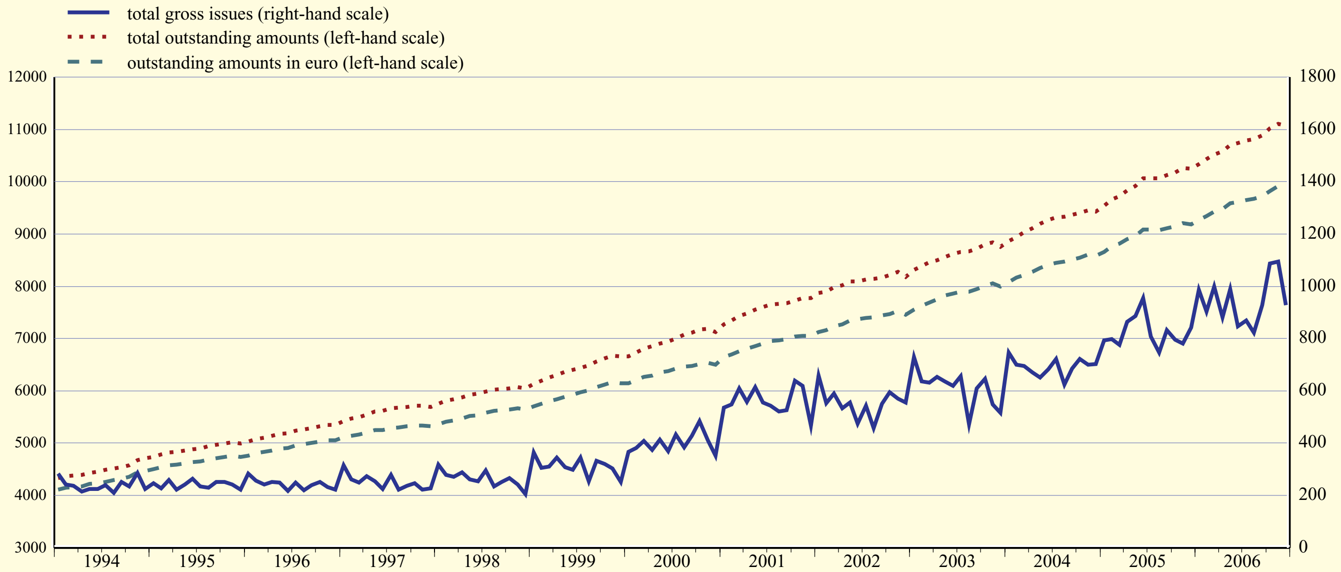
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions and period growth rates; seasonally adjusted; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005 Dec.	10,825.9	871.0	12.6	9,187.3	794.8	-24.2	10,249.3	841.7	-24.8	7.6	75.9	6.1
2006 Jan.	10,875.6	972.6	55.6	9,266.1	927.7	84.7	10,332.3	987.9	103.1	7.6	61.5	7.1
Feb.	10,983.4	918.2	105.6	9,345.1	846.5	76.6	10,439.2	903.3	89.3	7.2	61.7	7.5
Mar.	11,135.4	1,051.1	151.8	9,426.1	937.9	80.9	10,523.7	999.4	97.3	7.6	70.4	7.9
Apr.	11,158.0	874.8	19.4	9,477.8	821.7	48.5	10,581.6	882.5	67.5	7.2	55.6	7.9
May	11,284.7	1,009.0	126.9	9,589.8	938.1	112.1	10,702.4	990.3	125.9	7.7	88.8	8.2
June	11,346.9	896.8	64.2	9,611.0	794.1	23.1	10,735.0	847.2	31.8	6.6	24.2	7.1
July	11,360.3	879.0	12.8	9,646.6	821.4	35.1	10,784.6	869.1	45.0	7.0	54.0	6.9
Aug.	11,392.4	839.2	31.6	9,668.0	781.2	20.8	10,814.2	823.8	24.2	7.3	74.2	7.2
Sep.	11,513.1	1,005.3	120.2	9,718.6	883.3	50.1	10,882.7	928.9	56.8	7.3	57.0	6.8
Oct.	11,609.7	1,107.2	94.4	9,822.5	1,024.0	102.1	11,018.5	1,086.7	122.6	8.0	123.3	8.1
Nov.	11,747.9	1,135.3	137.4	9,914.8	1,038.6	91.7	11,110.8	1,094.2	107.9	8.3	100.6	8.3
Dec.	11,731.6	978.3	-17.6	9,864.1	884.3	-52.5	11,070.0	929.0	-56.3	8.0	43.1	8.6
	Long-term											
2005 Dec.	9,892.7	178.4	41.8	8,374.6	147.2	25.2	9,302.3	166.0	27.4	8.3	72.1	6.2
2006 Jan.	9,936.2	196.4	48.7	8,414.0	173.5	44.5	9,342.6	195.5	56.9	8.1	57.3	7.3
Feb.	10,025.9	214.8	88.2	8,475.3	170.4	59.8	9,428.1	196.1	72.0	7.6	49.7	7.8
Mar.	10,122.3	243.8	96.9	8,546.2	194.3	71.3	9,496.9	220.1	79.7	7.8	60.3	8.0
Apr.	10,158.3	174.6	34.4	8,575.5	141.4	27.9	9,534.5	170.4	47.7	7.5	49.1	8.1
May	10,258.8	205.7	100.8	8,661.2	167.2	85.9	9,627.6	186.8	95.6	7.7	63.5	7.7
June	10,318.0	199.5	60.0	8,724.9	167.6	64.3	9,711.7	192.5	80.5	6.7	52.4	7.2
July	10,351.8	186.6	33.9	8,750.6	158.5	26.0	9,752.7	177.1	37.1	7.2	49.0	7.0
Aug.	10,368.0	90.4	16.4	8,761.8	71.5	11.3	9,770.7	87.9	20.7	7.5	65.6	7.3
Sep.	10,461.7	218.3	94.1	8,816.7	156.5	55.3	9,840.0	175.2	62.8	7.6	53.4	7.1
Oct.	10,564.1	224.5	99.9	8,887.6	173.5	68.8	9,933.0	205.8	86.5	8.1	102.4	8.3
Nov.	10,699.2	225.8	134.3	8,983.4	168.1	95.1	10,027.7	194.0	109.4	8.4	102.4	9.0
Dec.	10,727.1	169.6	25.4	9,005.0	128.9	18.8	10,057.6	148.7	16.3	8.2	59.0	9.1

C15 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type

(EUR billions ; transactions during the month and end-of-period outstanding amounts; nominal values)

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005	10,249	4,109	925	613	4,319	283	9,878	6,983	325	1,032	1,444	95
2006	11,070	4,557	1,165	643	4,401	304	11,342	8,374	413	1,113	1,357	85
2006 Q1	10,524	4,259	969	621	4,385	289	2,891	2,106	85	256	421	22
Q2	10,735	4,337	1,032	637	4,430	298	2,720	1,976	108	259	355	22
Q3	10,883	4,436	1,069	635	4,445	298	2,622	1,928	78	264	334	18
Q4	11,070	4,557	1,165	643	4,401	304	3,110	2,364	142	334	247	23
2006 Sep.	10,883	4,436	1,069	635	4,445	298	929	678	29	97	119	5
Oct.	11,019	4,521	1,110	644	4,445	298	1,087	801	56	115	105	9
Nov.	11,111	4,554	1,138	647	4,469	304	1,094	835	43	114	93	9
Dec.	11,070	4,557	1,165	643	4,401	304	929	727	43	106	48	5
	Short-term											
2005	947	482	7	90	363	5	7,808	6,046	45	942	742	33
2006	1,012	571	12	94	332	4	9,192	7,376	59	1,021	705	31
2006 Q1	1,027	539	7	98	377	5	2,279	1,817	14	242	199	8
Q2	1,023	531	10	101	376	5	2,170	1,739	16	226	180	8
Q3	1,043	561	12	96	369	4	2,182	1,733	16	248	176	8
Q4	1,012	571	12	94	332	4	2,561	2,087	13	305	150	7
2006 Sep.	1,043	561	12	96	369	4	754	596	5	91	58	3
Oct.	1,086	603	11	101	367	4	881	707	6	106	59	3
Nov.	1,083	596	11	102	369	4	900	732	4	104	58	2
Dec.	1,012	571	12	94	332	4	780	648	3	94	33	2
	Long-term [1]											
2005	9,302	3,627	918	522	3,957	278	2,069	937	279	89	702	61
2006	10,058	3,986	1,153	549	4,069	301	2,150	998	354	92	652	54
2006 Q1	9,497	3,720	962	523	4,008	285	612	289	71	14	222	15
Q2	9,712	3,806	1,022	536	4,054	293	550	237	92	32	175	14
Q3	9,840	3,875	1,057	539	4,075	293	440	195	62	16	158	9
Q4	10,058	3,986	1,153	549	4,069	301	548	277	129	30	97	16
2006 Sep.	9,840	3,875	1,057	539	4,075	293	175	82	23	6	62	3
Oct.	9,933	3,919	1,099	543	4,078	294	206	94	50	9	46	6
Nov.	10,028	3,958	1,126	544	4,099	300	194	103	39	10	35	7
Dec.	10,058	3,986	1,153	549	4,069	301	149	80	39	11	15	3
	Of which long-term fixed rate											
2005	6,712	2,016	458	412	3,609	217	1,227	412	91	54	621	48
2006	7,036	2,133	537	419	3,711	237	1,286	474	139	59	575	39
2006 Q1	6,814	2,061	475	407	3,647	225	401	156	31	8	195	12
Q2	6,909	2,080	500	413	3,684	232	331	109	42	20	150	10
Q3	6,961	2,107	508	413	3,700	233	274	94	22	11	140	8
Q4	7,036	2,133	537	419	3,711	237	279	115	44	20	90	10
2006 Sep.	6,961	2,107	508	413	3,700	233	111	42	10	4	53	2
Oct.	7,010	2,129	526	415	3,706	234	115	42	23	5	41	4
Nov.	7,045	2,135	530	417	3,726	237	100	43	11	9	33	4
Dec.	7,036	2,133	537	419	3,711	237	64	31	11	6	15	2
	Of which long-term variable rate											
2005	2,257	1,343	456	94	304	60	715	429	188	28	58	12
2006	2,603	1,502	609	117	312	63	710	402	212	30	51	14
2006 Q1	2,329	1,383	482	97	307	60	172	108	39	4	18	3
Q2	2,428	1,424	516	108	319	61	176	95	50	12	15	4
Q3	2,487	1,443	543	110	331	60	134	76	40	4	13	2
Q4	2,603	1,502	609	117	312	63	228	123	84	10	5	6
2006 Sep.	2,487	1,443	543	110	331	60	53	31	13	1	7	0
Oct.	2,522	1,457	566	113	326	60	78	42	27	4	3	2
Nov.	2,570	1,479	589	112	327	63	78	44	28	1	2	3
Dec.	2,603	1,502	609	117	312	63	72	37	29	6	0	1

Source: ECB.

1) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type

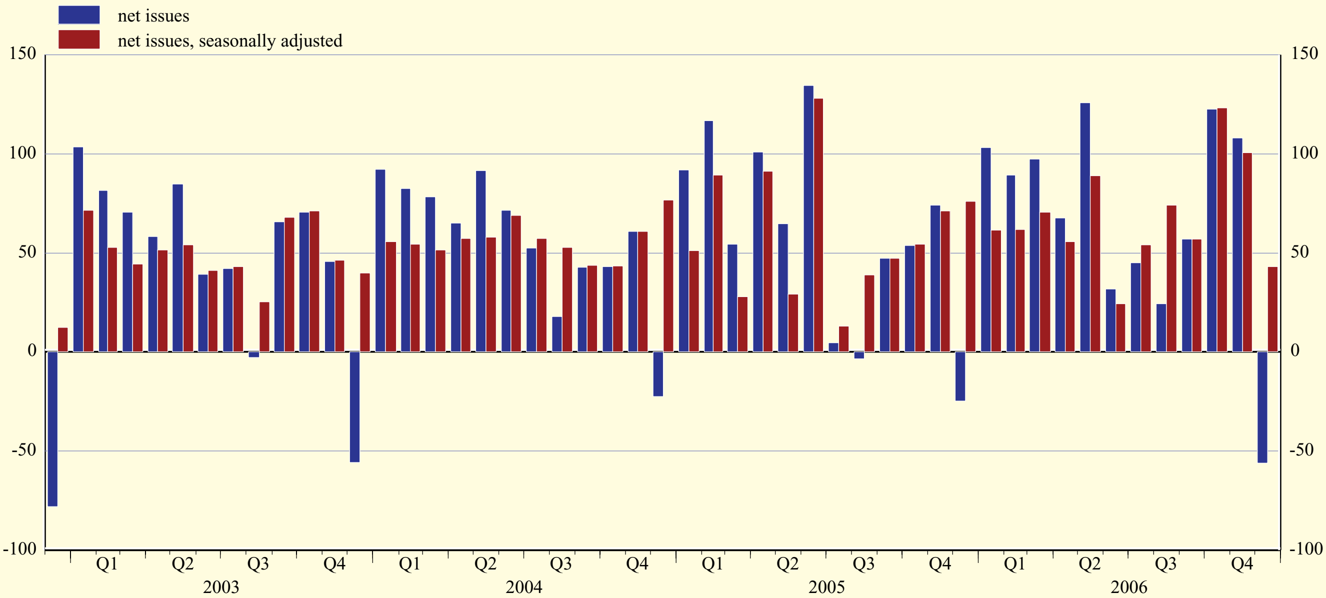
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted: Total	Non-seasonally adjusted: MFIs (including Eurosystem)	Non-seasonally adjusted: Non-MFI corporations: Financial corporations other than MFIs	Non-seasonally adjusted: Non-MFI corporations: Non-financial corporations	Non-seasonally adjusted: General government: Central government	Non-seasonally adjusted: General government: Other general government	Seasonally adjusted: Total	Seasonally adjusted: MFIs (including Eurosystem)	Seasonally adjusted: Non-MFI corporations: Financial corporations other than MFIs	Seasonally adjusted: Non-MFI corporations: Non-financial corporations	Seasonally adjusted: General government: Central government	Seasonally adjusted: General government: Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2005	715.4	316.1	175.8	21.9	169.2	32.2	717.0	319.5	171.6	22.1	171.4	32.4
2006	815.3	421.1	246.3	34.8	90.9	22.1	814.4	425.5	241.6	35.2	89.9	22.2
2006 Q1	289.8	158.7	46.1	9.4	68.7	6.9	193.5	106.9	66.1	6.0	8.4	6.1
Q2	225.2	84.0	65.3	18.6	48.4	8.9	168.6	88.4	52.8	12.0	7.1	8.4
Q3	126.0	78.0	36.3	-2.5	14.6	-0.5	185.2	94.5	53.0	1.7	33.8	2.3
Q4	174.3	100.5	98.6	9.3	-40.8	6.7	267.0	135.7	69.7	15.6	40.6	5.4
2006 Sep.	56.8	30.8	12.1	3.9	12.3	-2.3	57.0	37.8	14.0	8.4	-0.5	-2.6
Oct.	122.6	72.4	41.0	8.5	-0.1	0.8	123.3	58.5	44.9	5.0	15.0	-0.1
Nov.	107.9	40.8	30.3	4.1	27.1	5.6	100.6	43.2	24.3	5.4	24.1	3.7
Dec.	-56.3	-12.7	27.3	-3.3	-67.8	0.3	43.1	34.0	0.5	5.2	1.5	1.9
						Long-term						
2005	707.9	292.7	176.2	22.2	184.2	32.5	709.5	294.5	172.1	22.2	188.1	32.6
2006	765.1	348.2	241.1	31.6	121.0	23.1	764.2	350.4	236.4	31.5	122.7	23.1
2006 Q1	208.6	100.5	45.8	1.8	53.4	7.0	167.3	70.0	65.9	7.0	18.4	6.0
Q2	223.7	87.7	62.3	15.5	49.4	8.9	165.1	85.4	49.7	8.9	12.7	8.5
Q3	120.6	61.7	35.0	2.6	21.4	-0.1	168.0	66.5	51.6	4.8	42.5	2.6
Q4	212.2	98.4	98.1	11.7	-3.2	7.3	263.8	128.5	69.2	10.8	49.3	6.1
2006 Sep.	62.8	31.8	11.8	3.4	17.5	-1.6	53.4	29.4	13.3	5.3	7.5	-2.1
Oct.	86.5	37.4	41.4	4.2	2.6	0.9	102.4	35.6	44.9	2.6	19.3	0.0
Nov.	109.4	46.8	30.1	2.3	24.2	6.0	102.4	53.2	24.6	2.1	18.5	4.1
Dec.	16.3	14.1	26.5	5.2	-30.0	0.4	59.0	39.7	-0.2	6.1	11.5	2.0

C16 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

(EUR billions; transactions during the month; nominal values)

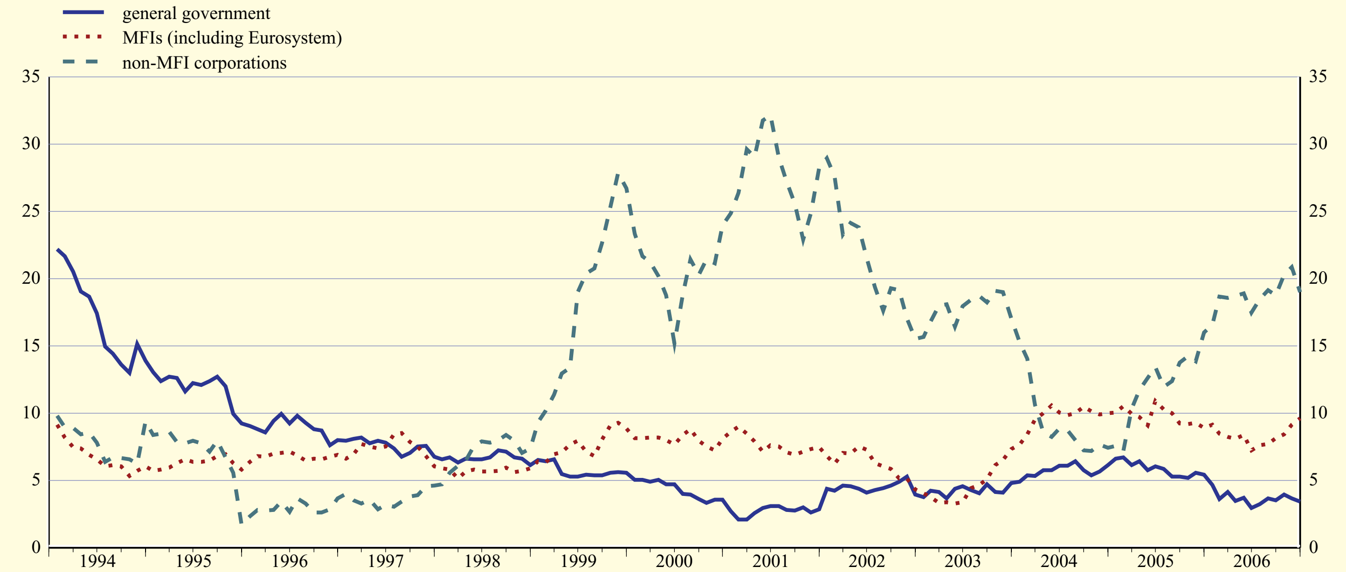


Source: ECB.

4.3 Growth rates of securities, other than shares, issued by euro area residents [1)]
(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005 Dec.	7.6	8.4	23.6	3.7	4.1	12.9	6.1	6.6	21.0	2.9	2.9	13.9
2006 Jan.	7.6	9.1	24.3	3.4	3.6	11.3	7.1	7.7	26.1	4.2	3.1	12.7
Feb.	7.2	8.9	26.9	3.0	2.5	11.9	7.5	8.1	30.9	4.2	2.8	14.2
Mar.	7.6	9.3	27.3	2.8	3.0	11.6	7.9	9.3	31.7	3.9	2.6	13.0
Apr.	7.2	8.9	27.2	2.6	2.5	10.2	7.9	9.3	31.5	3.3	2.7	11.4
May	7.7	9.9	26.6	3.7	2.6	12.1	8.2	10.5	31.5	6.1	1.8	10.5
June	6.6	8.1	24.5	4.4	1.8	12.3	7.1	9.7	28.0	5.9	0.7	10.5
July	7.0	8.3	26.4	4.6	2.2	11.7	6.9	8.9	26.8	4.9	1.2	10.6
Aug.	7.3	8.4	28.0	3.3	2.5	12.1	7.2	8.8	25.5	2.4	2.3	10.1
Sep.	7.3	9.0	27.2	4.1	2.2	10.2	6.8	8.8	23.0	4.4	1.9	7.5
Oct.	8.0	9.7	29.9	3.8	2.6	9.4	8.1	10.1	28.4	4.4	2.5	7.5
Nov.	8.3	10.1	30.4	5.0	2.5	8.7	8.3	9.6	29.1	3.8	3.3	7.0
Dec.	8.0	10.3	26.7	5.7	2.1	7.8	8.6	10.9	25.4	5.5	3.4	5.3
	Long-term											
2005 Dec.	8.3	8.9	23.9	4.4	4.9	13.2	6.2	5.8	21.4	6.2	3.0	14.6
2006 Jan.	8.1	9.1	24.5	4.8	4.2	11.8	7.3	7.3	26.4	7.0	3.2	13.1
Feb.	7.6	8.4	27.2	5.8	3.0	12.6	7.8	7.6	31.0	7.2	2.9	15.0
Mar.	7.8	8.2	27.6	4.9	3.6	12.1	8.0	7.9	32.0	5.9	3.3	13.7
Apr.	7.5	8.1	27.5	5.4	3.0	10.5	8.1	7.8	31.5	5.8	3.7	12.0
May	7.7	8.3	26.7	6.8	3.2	12.5	7.7	7.7	31.3	8.1	2.6	11.0
June	6.7	7.2	24.4	6.2	2.3	12.7	7.2	8.7	27.3	6.2	1.6	10.7
July	7.2	7.6	26.3	5.9	2.6	11.9	7.0	7.9	26.3	4.8	2.1	10.6
Aug.	7.5	7.7	27.7	5.4	3.1	12.4	7.3	7.8	24.8	3.6	3.3	9.9
Sep.	7.6	8.1	26.9	5.5	3.0	10.8	7.1	8.4	22.1	5.3	2.8	8.0
Oct.	8.1	8.4	29.6	5.0	3.5	9.9	8.3	9.1	27.8	4.3	3.5	8.1
Nov.	8.4	9.1	30.1	5.5	3.3	9.3	9.0	10.5	28.8	2.9	3.9	7.6
Dec.	8.2	9.6	26.4	6.1	3.1	8.3	9.1	10.5	25.3	5.9	4.6	6.0

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)



Source: ECB.
1) For the calculation of the growth rates, see the Technical notes.The 6-month growth rates have been annualised.

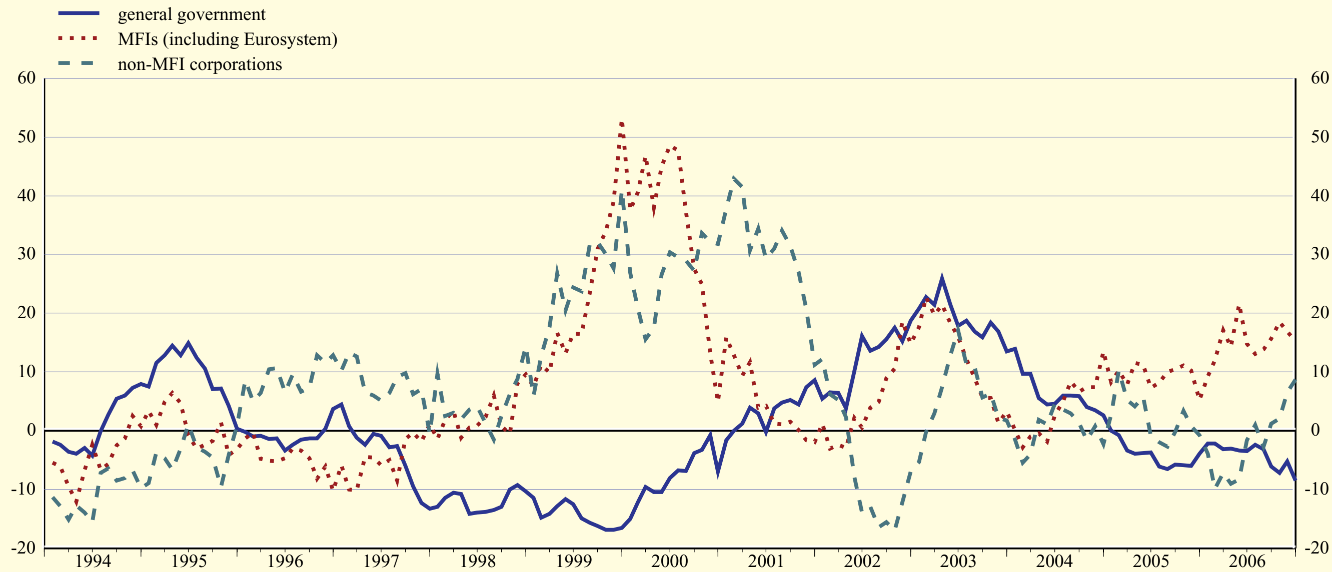
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2005	4.7	3.1	5.7	0.3	5.5	15.0	19.4	18.3	35.7	22.6	9.8	4.7
2006	4.5	4.7	13.9	1.0	3.1	13.4	16.6	11.8	42.4	27.4	5.3	4.0
2006 Q1	4.3	4.2	8.9	0.7	3.6	15.6	18.9	14.3	48.4	24.5	7.8	1.1
Q2	4.2	4.4	11.7	1.0	3.0	13.5	16.8	11.9	45.5	28.3	3.6	5.1
Q3	4.4	4.6	15.1	0.8	2.8	13.8	15.2	10.1	39.6	30.1	4.1	5.8
Q4	5.0	5.4	19.7	1.6	3.1	11.1	15.9	11.1	37.9	26.7	5.7	4.1
2006 July	4.3	4.5	14.4	0.7	2.8	13.7	15.3	10.1	40.0	31.3	4.3	5.6
Aug.	4.5	4.7	15.7	0.4	3.0	14.0	15.5	10.1	41.4	29.8	4.2	6.4
Sep.	4.7	5.1	17.1	1.3	2.9	12.9	14.9	10.1	37.5	27.8	5.2	3.3
Oct.	5.1	5.1	20.2	0.5	3.3	12.0	16.0	10.7	39.4	29.6	6.3	2.5
Nov.	5.1	5.5	21.2	2.2	3.0	10.3	16.4	11.4	38.9	24.4	6.6	5.9
Dec.	5.2	6.0	18.6	2.8	3.1	9.3	15.4	11.8	33.8	24.7	2.8	4.7
	In euro											
2005	4.3	0.9	9.1	-0.1	5.4	15.3	18.8	17.2	35.1	22.6	10.2	5.3
2006	3.8	3.1	11.3	0.3	3.2	13.6	15.5	10.2	38.9	30.4	5.4	3.1
2006 Q1	3.7	2.4	9.1	0.6	3.5	16.1	18.1	12.9	45.7	26.4	8.2	1.0
Q2	3.6	2.8	10.0	0.8	3.1	13.9	15.5	10.2	41.5	31.6	3.7	4.0
Q3	3.6	3.1	11.2	-0.2	2.9	13.7	13.7	8.1	35.1	33.9	4.2	4.4
Q4	4.3	4.1	14.8	0.1	3.3	11.2	14.9	9.7	35.1	29.5	5.8	3.2
2006 July	3.6	3.0	11.0	-0.5	2.9	13.6	13.7	8.1	35.0	35.4	4.4	4.2
Aug.	3.7	3.2	11.3	-0.9	3.1	13.9	14.0	8.3	36.5	33.5	4.2	5.2
Sep.	3.9	3.7	12.8	0.4	2.9	12.9	13.8	8.5	34.2	31.2	5.2	2.1
Oct.	4.2	3.5	14.8	-1.2	3.5	12.0	15.2	9.3	37.0	32.9	6.4	1.7
Nov.	4.4	4.4	15.9	0.6	3.2	10.4	15.7	10.2	36.3	26.9	6.8	4.9
Dec.	4.6	5.0	14.7	1.2	3.4	9.5	14.2	10.4	30.3	26.5	3.0	3.7

C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

1) For the calculation of the growth rates, see the Technical notes.

4.4 Quoted shares issued by euro area residents [1)]

(EUR billions, unless otherwise indicated; market values)

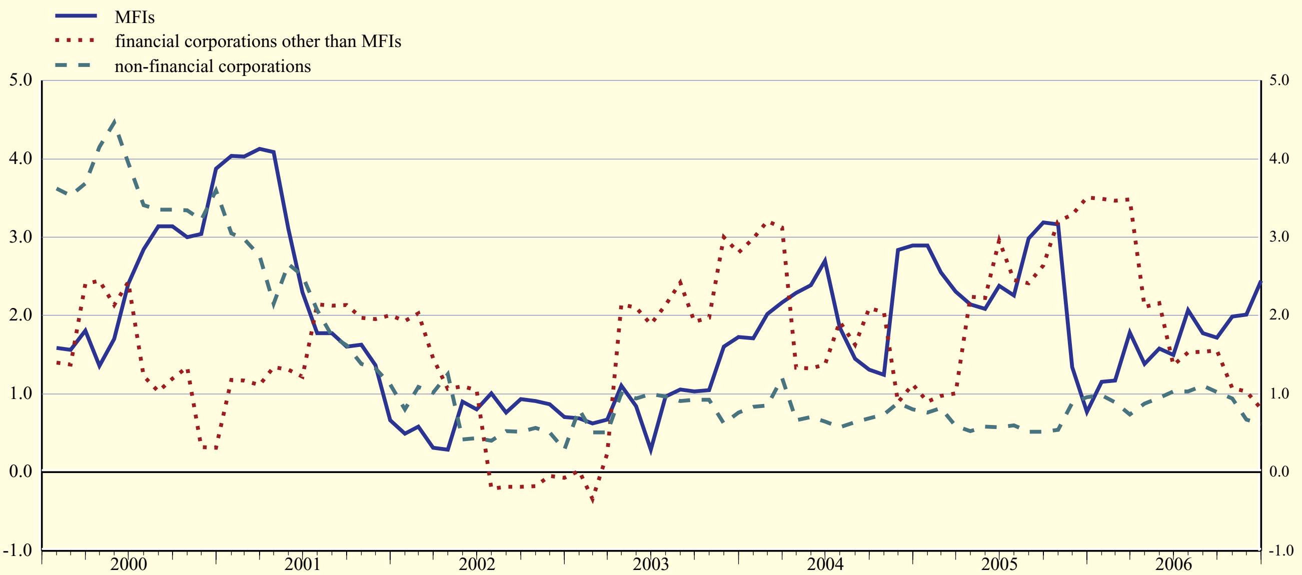
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2004 Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	103.0	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.2	103.1	1.1	698.0	2.4	441.6	3.0	3,241.6	0.6
July	4,631.1	103.1	1.0	727.9	2.3	466.7	2.5	3,436.6	0.6
Aug.	4,605.9	103.1	1.1	723.4	3.0	457.1	2.4	3,425.4	0.5
Sep.	4,827.2	103.3	1.1	764.1	3.2	483.7	2.6	3,579.3	0.5
Oct.	4,659.4	103.4	1.2	752.4	3.2	480.5	3.2	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.3	3,559.2	0.9
Dec.	5,056.3	103.8	1.2	836.4	0.8	540.8	3.5	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.5	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.5	3,928.7	0.9
Mar.	5,629.9	103.9	1.2	962.3	1.8	579.1	3.5	4,088.5	0.7
Apr.	5,653.3	104.0	1.1	948.8	1.4	572.9	2.1	4,131.6	0.9
May	5,364.7	104.2	1.2	896.7	1.6	533.5	2.2	3,934.5	1.0
June	5,376.5	104.3	1.1	905.0	1.5	529.6	1.4	3,941.9	1.0
July	5,372.5	104.4	1.3	918.4	2.1	543.3	1.5	3,910.7	1.0
Aug.	5,536.3	104.5	1.3	958.6	1.8	594.6	1.5	3,983.1	1.1
Sep.	5,680.2	104.5	1.2	986.1	1.7	606.6	1.6	4,087.5	1.0
Oct.	5,857.4	104.6	1.1	1,015.6	2.0	613.3	1.1	4,228.4	0.9
Nov.	5,910.8	104.7	0.9	1,024.3	2.0	602.8	1.0	4,283.7	0.7
Dec.	6,127.0	104.8	0.9	1,056.3	2.4	622.1	0.8	4,448.7	0.6

C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

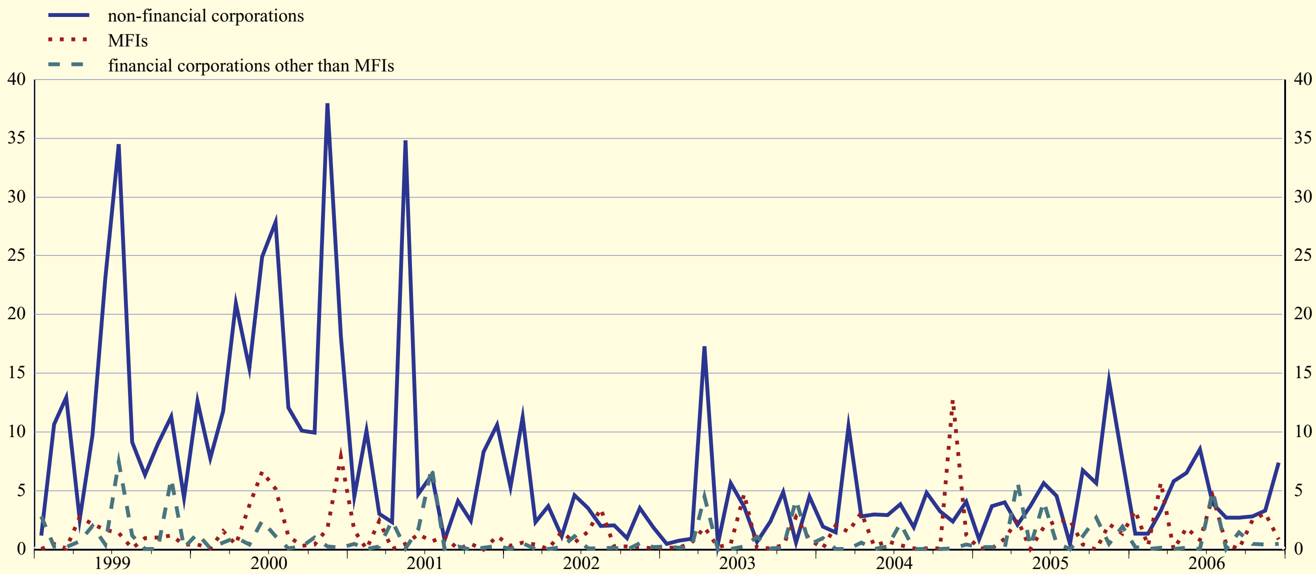
1) For the calculation of the index and the growth rates, see the Technical notes.

4.4 Quoted shares issued by euro area residents [1]
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2004 Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	3.0	0.9	0.0	0.0	0.0	0.2	0.3	-0.1	3.7	2.7	1.0
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.9	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.4	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.5	2.2	6.3	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.3
June	9.4	2.6	6.7	0.8	0.3	0.5	0.0	0.0	0.0	8.5	2.4	6.2
July	13.4	6.6	6.8	4.5	0.0	4.5	5.0	3.5	1.5	3.9	3.0	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.0
Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.0	4.9	3.1	0.0	3.1	0.4	0.1	0.3	3.3	1.9	1.4
Dec.	8.7	3.9	4.8	0.9	0.3	0.5	0.5	0.0	0.5	7.4	3.6	3.8

C20 Gross issues of quoted shares by sector of the issuer
(EUR billions; transactions during the month; market values)



Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents

(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [1]	With agreed maturity			Redeemable at notice [1), 2)]		Overnight [1]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2006 Jan.	0.73	2.21	2.47	2.56	2.00	2.32	1.05	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.93	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.63	1.32	2.92	3.25	3.78	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.99	3.45	3.82	2.96
Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14
Nov.	0.91	3.10	3.34	2.80	2.30	2.81	1.49	3.26	3.47	3.66	3.23
Dec.	0.93	3.27	3.31	2.80	2.33	2.87	1.51	3.47	4.92	3.88	3.41

2. Interest rates on loans to households (new business)

	Bank overdrafts [1]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [3]	By initial rate fixation				Annual percentage rate of charge [3]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006 Jan.	9.80	6.94	6.48	8.13	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34
Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.24	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76
June	9.84	7.11	6.31	7.82	7.71	4.00	4.19	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.33	6.33	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74
Aug.	9.95	7.86	6.39	8.15	8.12	4.21	4.36	4.60	4.39	4.59	4.65	5.26	4.94
Sep.	10.06	7.86	6.26	8.09	7.98	4.30	4.36	4.61	4.44	4.65	4.76	5.30	4.98
Oct.	10.04	7.50	6.02	8.17	7.77	4.42	4.45	4.58	4.46	4.72	4.93	5.18	4.80
Nov.	10.08	7.65	6.16	8.15	7.83	4.49	4.50	4.58	4.47	4.75	4.97	5.25	4.90
Dec.	10.03	7.54	6.08	7.94	7.72	4.54	4.56	4.55	4.47	4.80	4.92	5.23	4.81

3. Interest rates on loans to non-financial corporations (new business)

	Bank overdrafts [1]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2006 Jan.	5.23	4.07	4.59	4.13	3.18	3.72	3.96
Feb.	5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.	5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.	5.40	4.34	4.73	4.15	3.51	3.94	4.22
May	5.36	4.38	4.83	4.26	3.57	4.13	4.32
June	5.45	4.47	4.84	4.33	3.74	4.12	4.23
July	5.52	4.57	4.99	4.38	3.84	4.21	4.36
Aug.	5.56	4.70	5.09	4.60	3.97	4.33	4.49
Sep.	5.69	4.75	5.02	4.54	4.02	4.41	4.47
Oct.	5.76	4.91	5.16	4.57	4.24	4.37	4.45
Nov.	5.82	5.00	5.24	4.68	4.31	4.62	4.58
Dec.	5.83	5.08	5.24	4.68	4.50	4.76	4.62

Source: ECB.

1) For this instrument category, new business and outstanding amounts coincide. End-of-period.
2) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.
3) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of documents, guarantees, etc.

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents

(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

4. Interest rates on deposits (outstanding amounts)

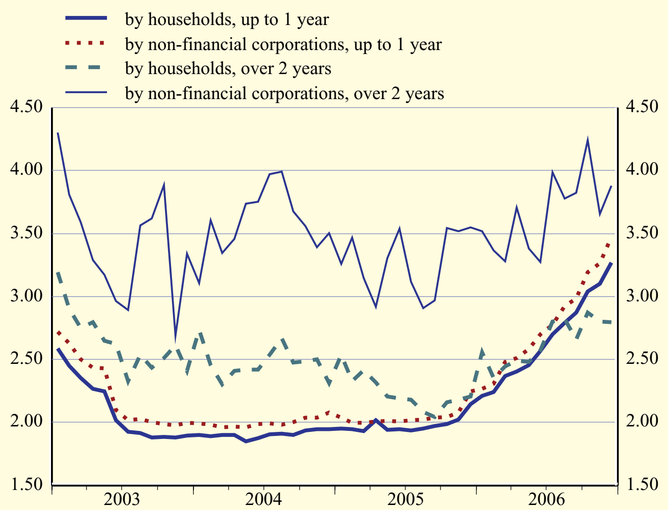
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2006 Jan.	0.73	2.05	3.11	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.13	1.97	2.34	1.08	2.38	3.47	2.27
Mar.	0.76	2.16	3.01	1.98	2.37	1.14	2.48	3.46	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.53	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.57	2.71
Aug.	0.85	2.52	3.05	2.23	2.63	1.32	2.93	3.64	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.69	2.90
Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05
Nov.	0.91	2.78	3.05	2.30	2.81	1.49	3.24	3.80	3.14
Dec.	0.93	2.89	3.01	2.33	2.87	1.51	3.42	3.86	3.29

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2006 Jan.	4.62	4.14	4.50	7.99	6.78	5.60	4.42	3.88	4.26
Feb.	4.59	4.17	4.54	7.97	6.78	5.68	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.82	4.27	4.62	8.31	6.81	5.87	4.93	4.40	4.53
Oct.	4.90	4.29	4.65	8.36	6.81	5.88	5.07	4.51	4.57
Nov.	4.98	4.33	4.68	8.34	6.81	5.91	5.14	4.59	4.63
Dec.	5.01	4.35	4.71	8.43	6.81	5.94	5.24	4.66	4.68

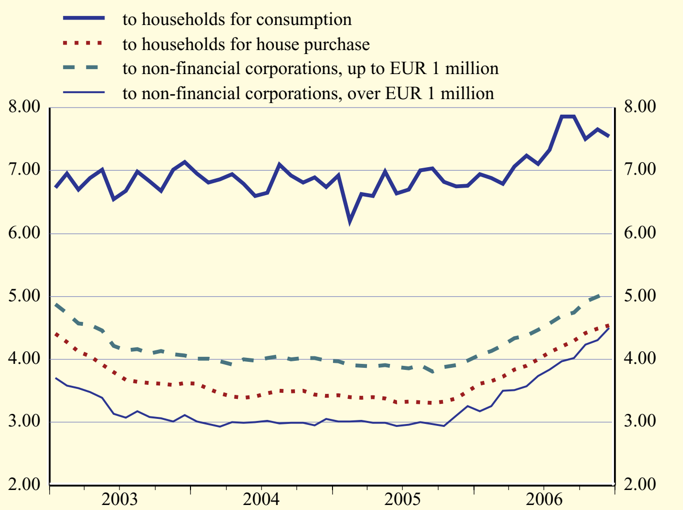
C21 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)

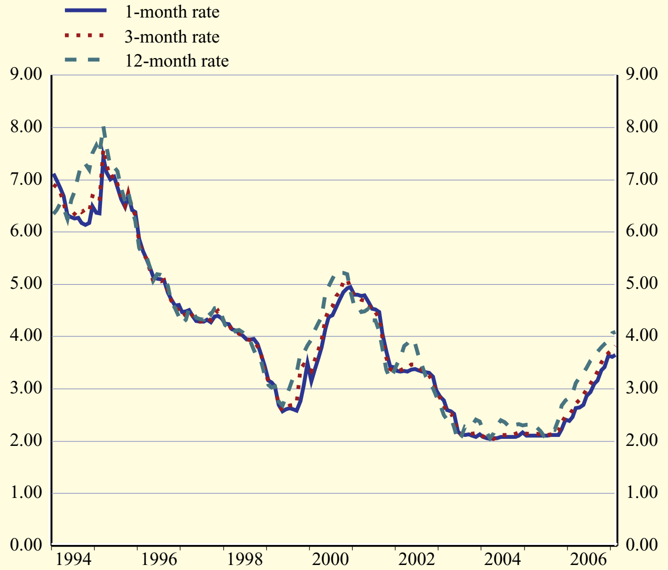


Source: ECB.

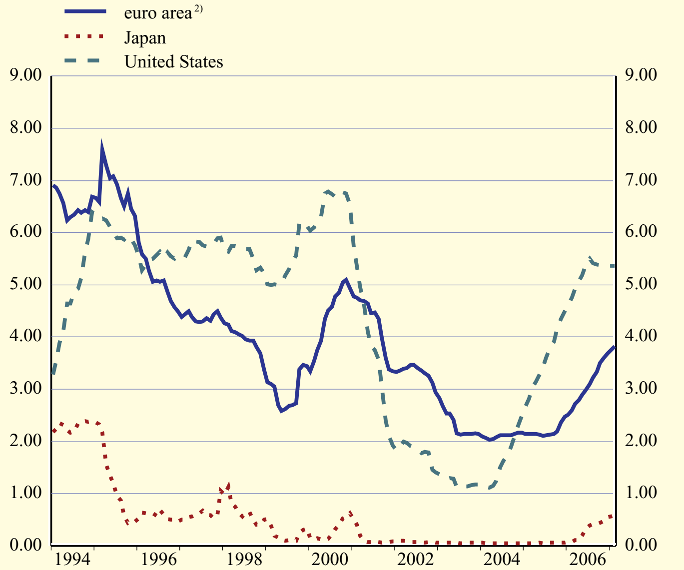
4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2005 Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
Q4	3.36	3.46	3.59	3.72	3.86	5.37	0.49
2006 Feb.	2.35	2.46	2.60	2.72	2.91	4.76	0.07
Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.96	3.22	5.07	0.11
May	2.58	2.69	2.89	3.06	3.31	5.18	0.19
June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40
Aug.	2.97	3.09	3.23	3.41	3.62	5.42	0.41
Sep.	3.04	3.16	3.34	3.53	3.72	5.38	0.42
Oct.	3.28	3.35	3.50	3.64	3.80	5.37	0.44
Nov.	3.33	3.42	3.60	3.73	3.86	5.37	0.48
Dec.	3.50	3.64	3.68	3.79	3.92	5.36	0.56
2007 Jan.	3.56	3.62	3.75	3.89	4.06	5.36	0.56
Feb.	3.57	3.65	3.82	3.94	4.09	5.36	0.59

C23 Euro area money market rates [2)]
(monthly; percentages per annum)



C24 3-month money market rates
(monthly; percentages per annum)



Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.

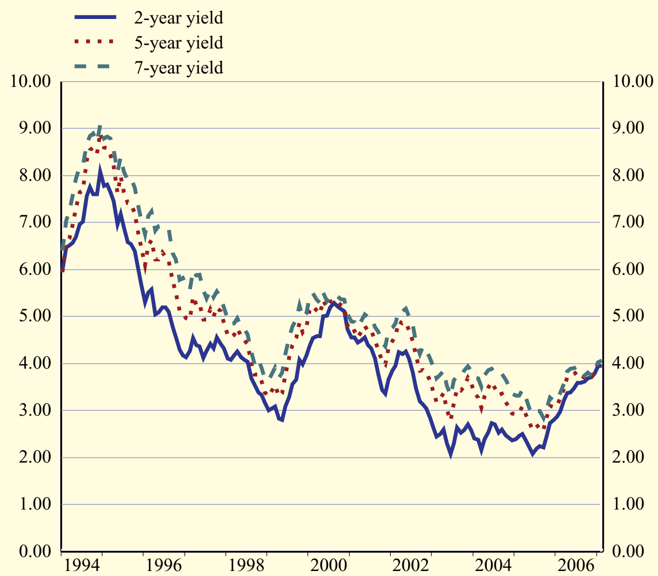
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
2005 Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2006 Feb.	2.97	3.07	3.26	3.37	3.55	4.56	1.57
Mar.	3.22	3.30	3.47	3.57	3.73	4.72	1.70
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.08	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64
2007 Jan.	3.94	3.96	4.02	4.02	4.10	4.76	1.71
Feb.	3.96	3.98	4.02	4.07	4.12	4.73	1.71

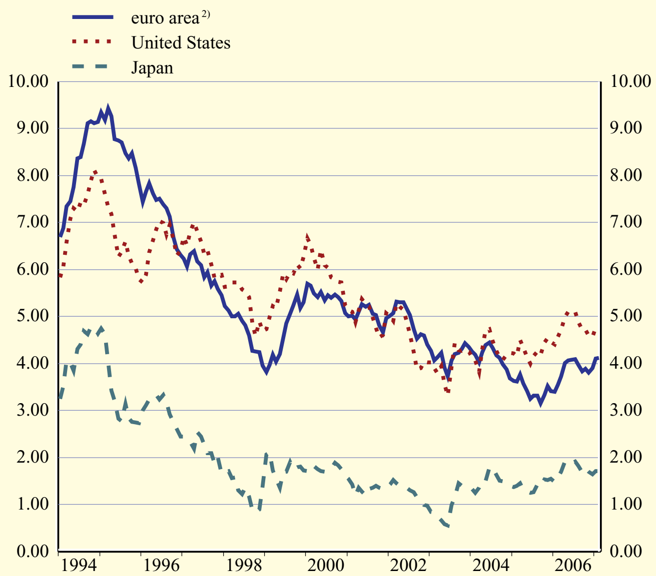
C25 Euro area government bond yields [2)]

(monthly; percentages per annum)



C26 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

1) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

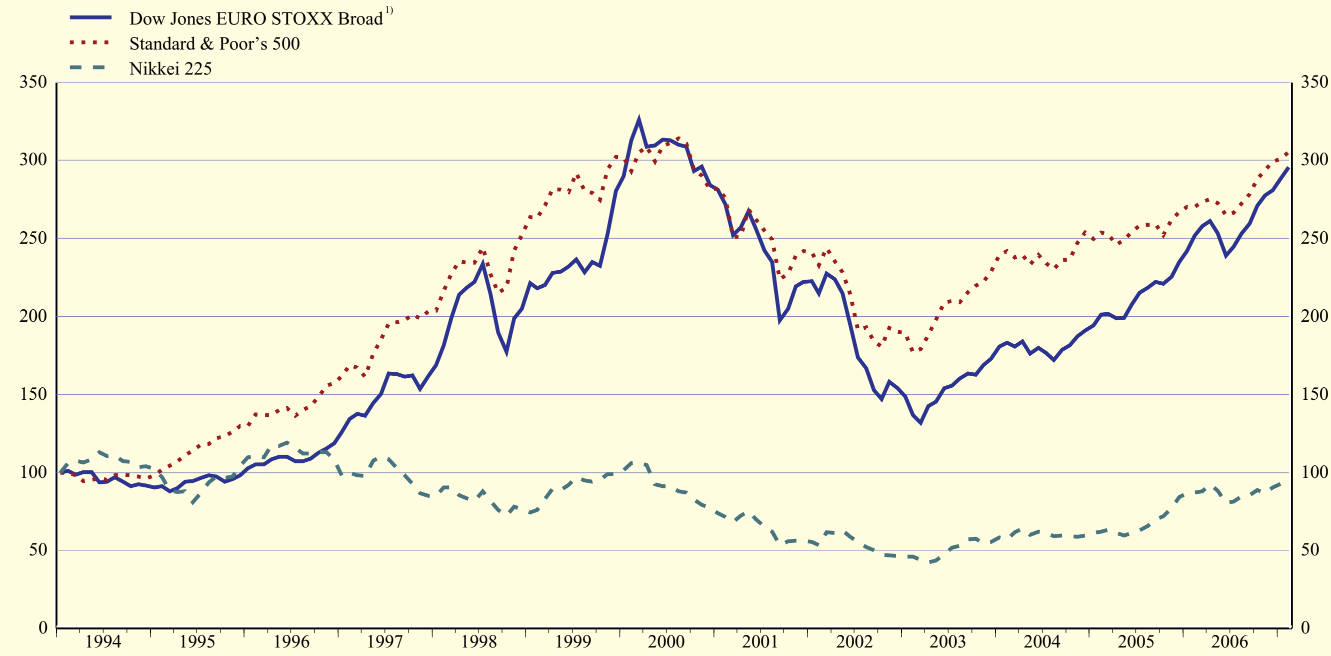
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,121.2
2005 Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2006 Feb.	349.0	3,743.8	375.9	198.0	288.5	424.3	361.7	383.9	351.7	417.8	409.1	513.8	1,277.2	16,187.6
Mar.	358.0	3,814.9	386.5	203.1	294.9	417.4	372.5	393.6	366.3	430.4	422.7	532.9	1,293.7	16,325.2
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2
2007 Jan.	400.4	4,157.8	476.4	229.1	328.2	426.5	419.8	452.2	350.4	505.0	485.0	538.1	1,423.9	17,270.0
Feb.	410.3	4,230.2	496.6	235.9	339.4	428.2	428.3	476.2	355.3	524.7	481.0	530.4	1,445.3	17,729.4

C27 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1)]

	Total					Total (s.a., percentage change on previous period)					
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total [2)]	100.0	100.0	82.8	59.2	40.8	100.0	11.9	7.6	30.0	9.6	40.8
	1	2	3	4	5	6	7	8	9	10	11
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-
2005 Q4	101.0	2.3	1.5	2.4	2.1	0.4	0.7	0.6	0.2	0.4	0.5
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.7	0.1	1.3	0.4
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.5	0.6	0.3	3.9	0.5
Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.4	1.9	0.2	0.6	0.6
Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.8	0.8	0.3	-4.2	0.6
2006 Sep.	102.5	1.7	1.5	1.6	2.0	-0.1	0.2	0.6	0.1	-3.2	0.2
Oct.	102.6	1.6	1.6	1.3	2.1	0.0	0.5	-0.2	0.1	-1.8	0.2
Nov.	102.6	1.9	1.6	1.7	2.1	0.1	0.1	0.5	0.1	-0.5	0.2
Dec.	103.0	1.9	1.6	1.8	2.0	0.1	0.1	-0.1	0.1	0.1	0.2
2007 Jan.	102.5	1.8	1.8	1.5	2.3	0.2	0.1	0.1	0.1	0.4	0.3
Feb. [3)]	.	1.8	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [2)]	19.6	11.9	7.6	39.6	30.0	9.6	10.2	6.2	6.4	3.1	14.4	6.7
	12	13	14	15	16	17	18	19	20	21	22	23
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.4	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2005 Q4	1.9	2.2	1.4	2.7	0.4	11.1	2.5	1.9	2.7	-2.7	2.3	2.7
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
Q2	2.0	2.2	1.6	3.1	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2006 Aug.	2.9	2.2	3.9	2.4	0.6	8.1	2.5	2.1	2.6	-3.9	2.3	2.3
Sep.	2.9	1.8	4.6	1.0	0.8	1.5	2.5	2.1	2.4	-3.4	2.3	2.4
Oct.	3.0	2.3	4.2	0.5	0.8	-0.5	2.5	2.2	2.4	-2.7	2.4	2.4
Nov.	3.0	2.2	4.4	1.1	0.8	2.1	2.5	2.1	2.3	-2.7	2.5	2.4
Dec.	2.7	2.1	3.7	1.4	0.9	2.9	2.5	2.1	2.2	-2.3	2.4	2.4
2007 Jan.	2.8	2.2	3.7	0.9	0.9	0.9	2.6	2.0	2.9	-1.7	2.7	2.2

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Referring to the index period 2007.
3) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]	World market prices of raw materials [3]		Oil prices [4] (EUR per barrel)
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy			Total		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.7	2.1	6.9	-4.0	-4.5	25.1
2004	105.8	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.2	18.4	10.8	30.5
2005	110.1	4.1	3.2	1.9	2.9	1.3	1.1	1.3	1.1	13.4	3.1	7.6	28.5	9.4	44.6
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.7	1.6	1.7	13.2	.	.	19.7	24.8	52.9
2005 Q4	112.0	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	2.9	7.3 [6]	34.2	23.2	48.6
2006 Q1	113.9	5.2	3.2	1.7	2.2	1.0	1.5	1.4	1.5	18.8	2.6	-	36.4	23.6	52.3
Q2	115.8	5.8	3.9	2.6	4.4	1.2	1.7	1.6	1.8	17.3	3.5	6.8 [6]	30.0	26.2	56.2
Q3	116.9	5.4	3.7	3.6	6.3	1.7	1.9	1.8	1.9	11.7	3.5	-	13.4	26.6	55.7
Q4	116.6	4.1	2.8	3.5	6.2	1.8	1.6	1.7	1.6	6.1	.	.	3.9	23.0	47.3
2006 Sep.	116.5	4.6	2.8	3.6	6.4	1.7	1.7	1.8	1.7	7.8	-	-	4.0	26.4	50.3
Oct.	116.6	4.0	2.5	3.5	6.3	1.8	1.7	1.7	1.7	5.2	-	-	3.9	28.7	47.6
Nov.	116.6	4.3	2.9	3.5	6.1	1.9	1.6	1.7	1.5	6.8	-	-	4.5	22.9	46.7
Dec.	116.6	4.1	2.9	3.4	6.1	1.8	1.5	1.7	1.4	6.2	-	-	3.2	17.7	47.4
2007 Jan.	116.7	2.9	2.4	3.4	6.0	1.9	1.5	1.9	1.4	1.2	-	-	-9.6	15.6	42.2
Feb.	.	.	.	.	.	.	.	.	.	.	-	-	-4.6	13.9	44.9

3. Hourly labour costs [7]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2003	110.8	3.1	2.9	3.8	3.1	3.8	2.9	2.4
2004	113.5	2.4	2.3	2.2	2.8	2.7	2.0	2.1
2005	116.2	2.4	2.6	1.9	2.5	2.2	2.4	2.1
2006	.	.	.	.	.	.	.	2.2
2005 Q4	117.2	2.3	2.6	1.5	2.5	2.5	2.2	2.0
2006 Q1	117.8	2.3	2.8	0.9	2.5	2.4	2.1	2.1
Q2	118.4	2.3	2.6	1.6	3.1	1.4	2.1	2.4
Q3	119.0	2.0	2.2	1.8	2.6	1.4	1.8	2.0
Q4	.	.	.	.	.	.	.	2.4

Sources: Eurostat, HWWI (columns 13 and 14 in Table 2 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 15 in Table 2 in Section 5.1), ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and column 7 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and column 8 in Table 3 in Section 5.1).

1) Residential buildings, based on non-harmonised data.
2) Residential property price indicator for the euro area, based on non-harmonised sources.
3) Refers to the prices expressed in euro.
4) Brent Blend (for one-month forward delivery).
5) In 2000.
6) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
7) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.

4. Unit labour costs, compensation per employee and labour productivity

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2002	104.7	2.4	0.9	0.7	3.2	2.1	3.0	3.4
2003	106.4	1.7	6.2	0.3	3.3	2.1	1.2	2.7
2004	107.5	1.1	-9.6	-0.1	3.1	-0.3	2.6	2.6
2005	108.5	0.9	8.5	-1.2	3.6	0.3	2.0	1.8
2005 Q3	108.3	0.6	8.0	-1.2	2.3	-0.3	2.0	1.8
Q4	109.1	1.0	8.7	-2.3	3.0	0.1	2.2	2.7
2006 Q1	109.3	0.9	4.2	-1.8	3.3	0.1	2.3	2.5
Q2	109.4	1.0	2.1	-2.2	2.2	0.3	1.6	3.4
Q3	109.4	1.0	1.8	-2.1	2.0	0.0	2.8	2.7
	Compensation per employee							
2002	105.2	2.6	2.2	2.0	3.2	2.4	2.6	3.1
2003	107.3	2.0	2.6	2.1	2.7	1.8	2.2	1.9
2004	109.6	2.1	2.8	2.6	2.5	1.3	2.2	2.3
2005	111.4	1.6	3.2	1.4	2.1	1.3	2.2	1.7
2005 Q3	111.4	1.6	2.6	1.6	2.3	1.3	2.0	1.5
Q4	112.3	1.9	2.4	1.6	2.5	1.2	1.7	2.9
2006 Q1	113.0	2.1	0.7	2.6	3.3	1.9	1.4	2.2
Q2	113.8	2.4	1.0	2.4	3.4	2.2	0.9	3.3
Q3	113.9	2.2	2.1	2.7	3.2	1.6	1.6	2.5
	Labour productivity [2]							
2002	100.5	0.2	1.3	1.3	0.0	0.2	-0.4	-0.3
2003	100.9	0.3	-3.3	1.8	-0.6	-0.2	1.0	-0.7
2004	101.9	1.0	13.6	2.7	-0.6	1.6	-0.3	-0.3
2005	102.6	0.7	-4.8	2.7	-1.5	1.1	0.2	-0.1
2005 Q3	102.9	0.9	-5.0	2.8	0.1	1.6	0.0	-0.3
Q4	102.9	1.0	-5.8	3.9	-0.5	1.1	-0.5	0.2
2006 Q1	103.4	1.2	-3.3	4.5	0.1	1.8	-0.9	-0.4
Q2	104.0	1.4	-1.1	4.7	1.2	1.9	-0.7	-0.1
Q3	104.2	1.2	0.3	4.8	1.2	1.6	-1.1	-0.2

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2003	107.3	2.1	2.0	2.1	2.3	1.2	-1.3	-1.8
2004	109.3	1.9	2.1	2.1	2.2	2.5	1.1	1.5
2005	111.4	1.9	2.2	2.0	2.2	2.3	2.6	3.6
2006	113.2	1.7	2.3	2.1	1.7	2.8	2.7	4.4
2005 Q4	112.3	2.0	2.5	2.3	2.8	2.2	3.0	4.2
2006 Q1	112.4	1.6	2.7	2.4	2.0	2.4	2.8	5.5
Q2	113.0	1.8	2.7	2.3	2.7	2.8	3.1	5.6
Q3	113.6	1.8	2.2	2.1	1.6	3.0	2.9	4.1
Q4	114.0	1.5	1.7	1.7	0.5	2.9	1.9	2.4

Sources: ECB calculations based on Eurostat data.
1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
2) Value added (volumes) per person employed.
3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2003	7,460.8	7,304.3	4,278.5	1,526.2	1,498.4	1.1	156.5	2,624.3	2,467.8
2004	7,738.0	7,576.0	4,426.7	1,580.9	1,561.7	6.7	162.0	2,823.4	2,661.4
2005	8,000.3	7,882.6	4,584.3	1,639.7	1,640.3	18.2	117.8	3,025.2	2,907.4
2006	8,357.9	8,261.0	4,765.9	1,705.0	1,757.4	32.8	96.8	3,356.7	3,259.9
2005 Q4	2,030.7	2,006.9	1,162.1	418.1	418.3	8.4	23.8	783.6	759.8
2006 Q1	2,049.0	2,031.7	1,175.6	421.0	425.5	9.6	17.2	810.4	793.1
Q2	2,079.2	2,060.8	1,185.4	426.4	437.9	11.1	18.5	824.2	805.7
Q3	2,101.5	2,082.2	1,198.5	426.6	443.2	13.9	19.3	845.3	826.0
Q4	2,128.2	2,086.4	1,206.4	431.0	450.9	-1.8	41.8	876.9	835.1
	percentage of GDP								
2006	100.0	98.8	57.0	20.4	21.0	0.4	1.2	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2005 Q4	0.3	0.6	0.1	0.1	0.4	-	-	0.7	1.5
2006 Q1	0.8	0.5	0.6	1.4	0.8	-	-	3.1	2.3
Q2	1.0	0.9	0.3	0.0	2.1	-	-	0.9	0.8
Q3	0.6	0.7	0.7	0.6	0.6	-	-	1.8	2.2
Q4	0.9	0.1	0.6	0.5	1.2	-	-	3.7	1.9
	annual percentage changes								
2003	0.8	1.5	1.2	1.8	1.0	-	-	1.1	3.1
2004	2.0	1.8	1.5	1.4	2.2	-	-	6.9	6.7
2005	1.4	1.6	1.4	1.4	2.5	-	-	4.2	5.2
2006	2.6	2.3	1.8	2.1	4.5	-	-	8.4	7.8
2005 Q4	1.8	1.9	1.2	1.6	3.2	-	-	4.7	5.3
2006 Q1	2.2	2.2	1.8	2.5	3.6	-	-	8.4	8.7
Q2	2.8	2.5	1.7	2.0	4.7	-	-	7.4	6.8
Q3	2.7	2.8	1.7	2.1	3.9	-	-	6.7	7.0
Q4	3.3	2.3	2.1	2.5	4.8	-	-	9.8	7.3
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2005 Q4	0.3	0.6	0.1	0.0	0.1	0.5	-0.3	-	-
2006 Q1	0.8	0.5	0.3	0.3	0.2	-0.3	0.3	-	-
Q2	1.0	0.9	0.2	0.0	0.4	0.3	0.0	-	-
Q3	0.6	0.7	0.4	0.1	0.1	0.0	-0.1	-	-
Q4	0.9	0.1	0.3	0.1	0.3	-0.5	0.8	-	-
	contributions to annual percentage changes of GDP in percentage points								
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.8	0.9	0.3	0.4	0.2	0.2	-	-
2005	1.4	1.6	0.8	0.3	0.5	0.0	-0.2	-	-
2006	2.6	2.3	1.1	0.4	0.9	-0.1	0.4	-	-
2005 Q4	1.8	1.9	0.7	0.3	0.6	0.3	-0.1	-	-
2006 Q1	2.2	2.2	1.0	0.5	0.7	-0.1	0.0	-	-
Q2	2.8	2.5	1.0	0.4	1.0	0.2	0.3	-	-
Q3	2.7	2.7	1.0	0.4	0.8	0.5	0.0	-	-
Q4	3.3	2.2	1.2	0.5	1.0	-0.5	1.1	-	-

Sources: Eurostat and ECB calculations.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.
2) Including acquisitions less disposals of valuables.
3) Annual data are not adjusted for the variations in the number of working days.

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2003	6,702.9	152.2	1,385.3	389.7	1,423.4	1,824.4	1,527.9	757.9
2004	6,945.4	157.4	1,418.1	413.1	1,476.0	1,898.0	1,582.9	792.6
2005	7,165.2	143.5	1,454.1	436.1	1,519.5	1,976.2	1,635.8	835.1
2006	7,471.7	148.9	1,512.6	477.1	1,574.7	2,075.3	1,683.1	886.2
2005 Q4	1,815.8	36.3	366.8	112.8	382.7	501.6	415.7	214.9
2006 Q1	1,831.6	35.9	371.6	114.5	385.5	508.8	415.3	217.4
Q2	1,859.3	36.8	375.7	117.8	391.7	515.5	421.9	220.0
Q3	1,881.2	37.5	381.8	121.1	396.7	522.6	421.5	220.2
Q4	1,899.6	38.8	383.5	123.8	400.8	528.5	424.3	228.5
	percentage of value added							
2006	100.0	2.0	20.2	6.4	21.1	27.8	22.5	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2005 Q4	0.3	0.6	0.5	0.9	0.5	0.1	0.2	0.4
2006 Q1	0.8	-2.9	1.3	-0.3	0.7	1.2	0.5	1.1
Q2	1.1	1.3	1.4	2.4	1.3	1.0	0.4	-0.2
Q3	0.6	0.4	1.0	1.1	0.5	0.5	0.2	0.4
Q4	0.7	2.5	0.4	1.4	0.8	0.7	0.4	2.7
	annual percentage changes							
2003	0.7	-5.9	0.3	0.2	0.4	1.6	1.0	1.4
2004	2.1	11.5	1.9	1.1	2.8	1.7	1.2	1.5
2005	1.4	-6.3	1.2	0.9	1.7	2.2	1.1	1.4
2006	2.6	-1.2	3.7	3.7	2.9	2.7	1.2	3.0
2005 Q4	1.7	-6.9	2.6	2.0	1.9	2.1	1.1	2.1
2006 Q1	2.1	-3.6	3.4	2.4	2.5	2.0	0.9	3.4
Q2	2.8	-0.5	4.1	3.5	3.2	2.9	1.2	2.8
Q3	2.8	-0.6	4.3	4.1	3.0	2.8	1.3	1.8
Q4	3.2	1.2	4.2	4.6	3.4	3.4	1.6	4.1
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2005 Q4	0.3	0.0	0.1	0.1	0.1	0.0	0.0	-
2006 Q1	0.8	-0.1	0.3	0.0	0.1	0.3	0.1	-
Q2	1.1	0.0	0.3	0.1	0.3	0.3	0.1	-
Q3	0.6	0.0	0.2	0.1	0.1	0.1	0.1	-
Q4	0.7	0.0	0.1	0.1	0.2	0.2	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.1	0.3	0.4	0.1	0.6	0.5	0.3	-
2005	1.4	-0.1	0.2	0.1	0.4	0.6	0.2	-
2006	2.8	0.2	0.8	0.2	0.6	0.7	0.3	-
2005 Q4	1.7	-0.2	0.5	0.1	0.4	0.6	0.2	-
2006 Q1	2.1	-0.1	0.7	0.1	0.5	0.6	0.2	-
Q2	2.8	0.0	0.8	0.2	0.7	0.8	0.3	-
Q3	2.8	0.0	0.9	0.2	0.6	0.8	0.3	-
Q4	3.2	0.0	0.9	0.3	0.7	0.9	0.4	-

Sources: Eurostat and ECB calculations.
1) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
2004	2.1	102.3	2.0	2.1	2.0	2.2	3.3	0.5	0.1	0.6	2.0	-0.1
2005	1.1	103.7	1.3	1.3	1.1	0.9	2.8	0.5	-0.9	0.7	1.3	-0.2
2006	3.7	107.6	3.8	4.1	4.1	4.9	5.5	2.2	4.1	1.8	0.7	4.2
2006 Q1	3.8	106.0	3.4	3.5	3.4	3.0	5.0	2.1	2.4	2.1	3.8	2.0
Q2	3.1	107.3	4.1	4.2	4.5	5.6	5.3	2.5	3.7	2.2	0.9	3.8
Q3	4.2	108.3	4.1	4.4	4.3	5.7	5.4	1.7	5.0	1.2	1.6	4.5
Q4	3.7	108.9	3.6	4.4	4.4	5.3	6.1	2.3	5.3	1.8	-3.2	6.3
2006 July	3.9	107.5	3.5	3.8	3.8	5.2	4.2	1.5	3.1	1.3	2.5	5.6
Aug.	5.2	109.2	5.5	6.0	5.7	7.8	7.5	2.4	9.0	1.6	2.4	3.9
Sep.	3.6	108.3	3.5	3.7	3.6	4.6	5.2	1.4	4.6	0.9	0.0	3.9
Oct.	3.8	108.3	3.8	4.4	4.5	5.5	5.4	2.4	5.0	2.0	-1.5	5.0
Nov.	3.5	108.6	2.7	3.7	3.5	3.4	6.1	1.9	5.4	1.3	-3.6	6.0
Dec.	3.7	109.7	4.2	5.2	5.2	7.3	6.7	2.7	5.5	2.2	-4.3	8.2
	month-on-month percentage changes (s.a.)											
2006 July	-0.1	-	-0.4	-0.5	-0.7	-0.6	-0.2	-0.5	-0.5	-0.5	0.8	0.9
Aug.	1.2	-	1.6	2.0	1.9	2.9	2.0	1.3	4.3	0.7	-1.8	-0.1
Sep.	-0.7	-	-0.9	-1.1	-1.0	-2.1	-0.6	-0.7	-3.2	-0.3	-1.0	0.7
Oct.	-0.2	-	0.0	0.2	0.2	0.7	-0.3	0.3	0.2	0.3	-2.2	0.7
Nov.	0.6	-	0.3	0.5	0.4	0.0	1.4	0.1	1.4	-0.2	0.6	0.7
Dec.	0.7	-	1.1	1.0	1.3	2.2	0.4	0.8	0.2	0.9	1.6	0.7

4. Industrial new orders and turnover, retail sales and new passenger car registrations

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	105.4	7.4	106.2	5.1	2.3	105.3	1.5	1.2	1.7	1.8	3.3	923	1.2
2005	110.8	4.6	110.7	3.7	2.3	106.7	1.3	0.7	1.7	2.3	1.3	937	1.5
2006	121.0	9.1	118.8	7.3	2.8	108.3	1.5	0.2	2.3	2.7	4.1	956	2.0
2006 Q1	117.5	12.0	115.4	9.0	2.2	107.6	0.8	0.2	1.2	1.8	2.3	957	2.6
Q2	118.6	7.9	118.2	6.4	3.0	108.0	1.7	0.7	2.4	2.8	3.5	957	2.2
Q3	123.0	10.2	119.8	6.4	3.2	108.7	1.8	0.8	2.5	3.2	4.4	934	-2.0
Q4	125.0	6.6	121.7	7.5	2.7	108.9	1.5	-0.7	3.0	2.9	5.8	976	5.1
2006 Aug.	125.1	14.4	120.7	9.2	3.6	109.2	2.2	-0.2	4.0	7.5	5.8	937	-1.2
Sep.	123.4	7.5	119.7	3.6	2.5	108.3	1.2	0.6	1.9	0.6	4.9	956	0.5
Oct.	123.0	12.9	119.8	11.0	1.8	108.4	0.8	-1.5	2.3	1.4	4.6	947	0.0
Nov.	124.4	6.0	122.2	7.9	2.7	109.0	1.5	-0.6	3.1	3.2	6.2	969	4.8
Dec.	127.7	1.5	123.1	3.7	3.3	109.3	2.2	-0.2	3.6	3.9	6.3	1,011	11.9
2007 Jan.	.	.	.	.	1.4	108.2	-0.1	-1.6	1.3	.	.	946	-2.7
	month-on-month percentage changes (s.a.)												
2006 Aug.	-	3.8	-	1.6	0.6	-	0.6	-1.1	1.8	3.6	2.7	-	3.1
Sep.	-	-1.3	-	-0.9	-0.8	-	-0.8	0.2	-1.4	-4.2	-0.7	-	2.0
Oct.	-	-0.3	-	0.1	0.0	-	0.1	-0.4	0.4	1.0	0.1	-	-0.9
Nov.	-	1.1	-	2.0	0.8	-	0.6	0.1	0.8	1.5	1.1	-	2.3
Dec.	-	2.7	-	0.7	0.3	-	0.3	0.2	0.3	0.4	0.8	-	4.3
2007 Jan.	-	.	-	.	-0.7	-	-1.0	-0.8	-0.9	.	.	-	-6.4

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).
1) In 2000.
2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.
3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [4] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2003	93.1	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.2	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.9	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.3	-9	-3	-9	15	-9
2005 Q4	100.1	-6	-15	10	7	81.5	-13	-4	-15	22	-10
2006 Q1	102.6	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	106.8	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.2	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	109.9	6	6	4	15	84.2	-7	-3	-7	10	-9
2006 Sep.	108.9	4	4	4	13	-	-8	-3	-9	12	-7
Oct.	110.0	5	5	4	14	83.9	-8	-3	-8	11	-9
Nov.	109.9	6	6	4	16	-	-7	-3	-7	10	-9
Dec.	109.8	6	8	3	14	-	-6	-3	-5	9	-9
2007 Jan.	109.2	5	6	4	15	84.4	-7	-2	-7	8	-9
Feb.	109.7	5	7	3	12	-	-5	-3	-4	5	-8

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2003	-16	-23	-9	-10	-12	16	0	4	-4	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	0	-5	5	0	3	14	13	18	13	18	23
2005 Q4	-3	-8	2	-5	-9	15	10	14	10	13	19
2006 Q1	-2	-8	3	-3	-4	15	9	15	10	14	20
Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2006 Sep.	4	0	9	3	8	12	15	18	12	19	24
Oct.	3	-2	7	4	9	13	14	21	14	23	26
Nov.	3	-4	10	3	10	13	12	19	12	19	26
Dec.	2	-2	7	0	5	13	8	19	12	20	25
2007 Jan.	1	-8	10	-1	2	16	11	20	16	19	23
Feb.	0	-9	8	-2	0	16	12	20	15	21	24

Source: European Commission (Economic and Financial Affairs DG).

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2006.
3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
5) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	84.6	15.4	4.3	17.7	7.5	25.0	15.0	30.4
	1	2	3	4	5	6	7	8	9	10
2002	134.862	0.7	0.8	0.3	-1.8	-1.2	-0.1	0.6	2.0	2.0
2003	135.465	0.4	0.5	0.1	-2.7	-1.4	0.8	0.7	0.7	1.8
2004	136.427	0.7	0.7	0.8	-1.7	-1.4	1.5	0.9	1.9	1.5
2005	137.480	0.8	0.9	-0.1	-1.7	-1.2	2.5	0.8	2.1	1.2
2005 Q3	137.538	0.7	0.9	-0.7	-2.3	-0.9	1.7	0.4	2.1	1.3
Q4	138.033	0.7	1.0	-0.8	-1.1	-1.2	2.4	0.6	2.6	0.8
2006 Q1	138.477	1.0	1.1	0.4	-0.4	-1.0	2.4	0.7	2.9	1.3
Q2	139.076	1.3	1.3	1.3	0.4	-0.6	2.3	1.2	3.7	1.3
Q3	139.593	1.4	1.5	1.1	-1.1	-0.5	2.9	1.3	4.0	1.4
	quarter-on-quarter percentage changes (s.a.)									
2005 Q3	0.316	0.2	0.3	-0.1	0.2	-0.2	0.2	0.2	0.7	0.3
Q4	0.495	0.4	0.4	0.1	0.1	-0.2	1.0	0.5	1.1	0.1
2006 Q1	0.444	0.3	0.2	0.7	-0.5	-0.2	0.5	0.3	0.6	0.6
Q2	0.599	0.4	0.4	0.7	0.7	0.0	0.6	0.4	1.1	0.3
Q3	0.517	0.4	0.5	-0.1	-1.3	-0.1	0.7	0.3	1.1	0.5

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		75.6		24.5		47.8		52.2	
	1	2	3	4	5	6	7	8	9	10
2003	12.521	8.7	9.332	7.4	3.189	17.8	5.978	7.3	6.543	10.4
2004	12.876	8.8	9.657	7.5	3.219	18.2	6.190	7.5	6.685	10.4
2005	12.657	8.6	9.567	7.4	3.089	17.7	6.138	7.4	6.519	10.0
2006	11.578	7.8	8.748	6.7	2.832	16.5	5.535	6.7	6.043	9.2
2005 Q4	12.387	8.4	9.368	7.2	3.019	17.4	5.940	7.2	6.448	9.9
2006 Q1	12.116	8.2	9.124	7.0	2.992	17.2	5.781	7.0	6.335	9.7
Q2	11.631	7.8	8.813	6.7	2.819	16.4	5.627	6.8	6.004	9.2
Q3	11.455	7.7	8.633	6.6	2.822	16.5	5.461	6.6	5.994	9.1
Q4	11.230	7.5	8.473	6.4	2.757	16.1	5.281	6.3	5.949	9.1
2006 Aug.	11.493	7.7	8.652	6.6	2.840	16.6	5.484	6.6	6.009	9.2
Sep.	11.391	7.7	8.578	6.5	2.814	16.4	5.388	6.5	6.003	9.1
Oct.	11.345	7.6	8.557	6.5	2.788	16.3	5.325	6.4	6.020	9.2
Nov.	11.218	7.5	8.472	6.4	2.745	16.1	5.273	6.3	5.945	9.1
Dec.	11.126	7.5	8.390	6.4	2.736	16.0	5.245	6.3	5.881	9.0
2007 Jan.	11.057	7.4	8.312	6.3	2.745	16.1	5.211	6.3	5.846	8.9

Source: Eurostat.

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) Employment in 2005; unemployment 2006.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1)]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2)]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	47.0	46.5	11.9	8.7	2.9	13.3	0.7	17.1	8.5	5.4	2.3	0.5	0.3	42.7
1998	46.5	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.8	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.9	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.4	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.8	44.3	11.4	8.6	2.5	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.2	44.7	11.7	8.7	2.7	13.7	0.3	15.5	8.2	4.5	2.2	0.5	0.3	41.2

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3)]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.6	46.0	10.9	4.8	5.0	25.4	22.6	2.1	0.6	3.6	2.4	1.2	0.1	44.7
1998	48.8	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.2
1999	48.4	44.5	10.6	4.8	4.0	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.6	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
2001	47.7	43.8	10.3	4.8	3.8	24.9	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.3	44.3	10.5	5.0	3.3	25.5	22.7	1.9	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.8	10.4	5.0	3.1	25.2	22.5	1.8	0.5	3.8	2.5	1.4	0.0	44.5
2005	47.6	43.7	10.4	5.1	3.0	25.3	22.5	1.7	0.5	3.9	2.5	1.4	0.0	44.6

3. Euro area – deficit/surplus, primary deficit/surplus and government consumption

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4)]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.8	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.7	10.6	4.7	4.8	1.9	2.3	8.2	11.5
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3

4. Euro area countries – deficit (-)/surplus (+) [5)]

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	0.0	-3.7	-0.4	-5.2	-0.3	-3.2	-2.9	2.1	-2.0	-0.5	-2.9	-2.5	4.1
2003	0.0	-4.0	0.3	-6.1	0.0	-4.2	-3.5	0.3	-3.1	-1.6	-2.9	-2.8	2.5
2004	0.0	-3.7	1.5	-7.8	-0.2	-3.7	-3.4	-1.1	-1.8	-1.2	-3.2	-2.3	2.3
2005	-2.3	-3.2	1.1	-5.2	1.1	-2.9	-4.1	-1.0	-0.3	-1.5	-6.0	-1.4	2.7

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' deficit/surplus.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1]

(as a percentage of GDP)

1. Euro area − by financial instrument and sector of the holder

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2] Total	MFIs	Other financial corporations	Other sectors	Other creditors [3]
	1	2	3	4	5	6	7	8	9	10
1996	75.1	2.8	17.0	7.9	47.3	58.3	30.3	12.1	15.9	16.8
1997	74.1	2.8	16.0	6.5	48.8	55.4	28.3	13.6	13.5	18.7
1998	72.8	2.7	15.1	5.6	49.3	52.1	26.4	14.5	11.2	20.7
1999	72.0	2.9	14.2	4.2	50.6	48.5	25.4	12.0	11.2	23.4
2000	69.4	2.7	13.1	3.6	50.0	44.1	22.0	11.0	11.0	25.3
2001	68.3	2.8	12.3	4.0	49.2	42.1	20.6	10.4	11.1	26.2
2002	68.2	2.7	11.7	4.6	49.2	40.2	19.2	9.9	11.1	28.0
2003	69.3	2.1	12.3	5.0	49.9	39.1	19.2	10.3	9.6	30.2
2004	69.8	2.2	11.9	5.1	50.7	37.3	18.2	10.0	9.1	32.6
2005	70.8	2.4	11.8	4.9	51.6	35.4	17.1	10.3	8.0	35.4

2. Euro area − by issuer, maturity and currency denomination

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	75.1	62.9	5.9	5.7	0.5	11.6	63.5	8.6	19.1	25.7	30.2	73.1	2.0
1997	74.1	62.1	6.1	5.4	0.6	9.9	64.2	8.5	18.3	25.3	30.5	72.1	2.0
1998	72.8	61.1	6.1	5.2	0.4	8.9	63.9	7.6	15.8	26.4	30.6	70.9	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.7	64.3	6.6	13.6	28.0	30.4	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.8	62.6	5.9	13.4	28.0	28.0	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	5.0	13.7	26.8	27.8	66.7	1.7
2002	68.2	56.7	6.3	4.8	0.4	8.2	60.0	5.0	15.4	25.3	27.5	66.7	1.5
2003	69.3	57.0	6.6	5.1	0.6	8.5	60.8	5.0	14.4	26.1	28.9	68.2	1.1
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.4	4.7	14.3	26.6	28.9	68.8	1.1
2005	70.8	58.1	6.8	5.4	0.5	8.7	62.1	4.7	14.7	26.1	30.0	69.6	1.2

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	103.3	60.3	32.2	110.7	52.5	58.2	105.6	6.5	50.5	65.8	55.5	29.1	41.3
2003	98.6	63.9	31.1	107.8	48.7	62.4	104.3	6.3	52.0	64.6	57.0	28.5	44.3
2004	94.3	65.7	29.7	108.5	46.2	64.4	103.9	6.6	52.6	63.8	58.6	28.7	44.3
2005	93.2	67.9	27.4	107.5	43.1	66.6	106.6	6.0	52.7	63.4	64.0	28.0	41.3

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' debt.

1) Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

6.3 Change in debt [1]

(as a percentage of GDP)

1. Euro area − by source, financial instrument and sector of the holder

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	1.9	2.5	0.0	-0.3	-0.2	0.0	-0.3	-1.1	3.3	-0.6	-0.8	1.9	2.6
1998	1.8	2.2	-0.2	0.0	-0.1	0.1	-0.3	-0.6	2.6	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.6	0.0	-2.0	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.0	-2.1	-0.3	3.0
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	-0.1	-0.6	-0.1	2.0
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.7	-0.5	-0.7	-0.2	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	1.0	0.6	2.1	0.1	0.5	0.7	3.0
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	-0.4	-0.3	0.1	3.5
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.2	0.0	2.6	-0.8	-0.5	0.6	3.9

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Loans	Securities [11]	Shares and other equity				Exchange rate effects		
									Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	1.9	-2.6	-0.7	-0.4	0.1	0.0	-0.1	-0.5	-0.7	0.1	0.0	0.1	-0.3	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.5	-0.7	0.2	-0.2	0.0	0.0	0.1
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.5	-0.7	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.0	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1

Source: ECB.

1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

6.4 Quarterly revenue, expenditure and deficit/surplus [1)]

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2)]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2000 Q3	44.1	43.7	11.9	12.5	15.6	2.0	0.8	0.4	0.2	40.3
Q4	49.9	49.4	13.9	14.1	16.6	2.9	1.0	0.5	0.3	44.9
2001 Q1	42.3	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.0	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	14.0	16.3	2.9	1.1	0.5	0.3	44.1
2002 Q1	42.0	41.6	10.1	12.7	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	2.0	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.2	16.2	2.9	0.9	0.6	0.3	44.1
2003 Q1	42.0	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.5	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.8
Q3	42.8	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.3	48.3	13.1	14.3	16.2	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.5	41.0	9.6	12.8	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.1	44.4	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.7	12.6	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.5	48.5	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.2
2005 Q1	42.2	41.7	10.0	13.0	15.4	1.7	0.6	0.5	0.3	38.6
Q2	45.0	44.3	12.0	13.3	15.3	2.0	0.9	0.6	0.3	40.9
Q3	43.4	42.7	11.1	12.8	15.3	1.9	0.8	0.7	0.3	39.5
Q4	49.6	48.8	13.5	14.5	16.2	2.9	0.9	0.8	0.3	44.5
2006 Q1	42.8	42.4	10.4	13.3	15.4	1.6	0.8	0.5	0.3	39.3
Q2	46.0	45.6	12.7	13.7	15.3	2.0	1.1	0.4	0.3	42.0
Q3	43.4	42.9	11.5	12.7	15.3	1.9	0.7	0.4	0.3	39.8

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000 Q3	43.0	42.7	10.1	4.6	4.0	24.2	20.9	1.5	0.3	2.5	1.1	1.0	5.0
Q4	49.7	45.9	11.0	5.3	3.7	25.9	22.0	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.7	42.3	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.1
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-1.9	1.6
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.4	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.6	1.7
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.1	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.5	1.9
Q3	47.0	43.3	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.1	-4.1	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.2	1.6	-1.8	1.3
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.9
Q2	46.8	43.4	10.4	4.9	3.1	25.0	21.6	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.1	42.7	10.0	4.6	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-3.4	-0.3
Q4	50.8	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.8	43.4	10.3	4.6	3.1	25.3	21.6	1.2	3.4	1.9	1.5	-4.5	-1.4
Q2	46.5	43.1	10.3	5.0	3.1	24.8	21.6	1.1	3.4	2.3	1.0	-1.5	1.6
Q3	46.2	42.4	9.9	4.7	3.0	24.8	21.5	1.2	3.8	2.4	1.3	-2.8	0.2
Q4	50.8	46.0	11.1	5.7	2.8	26.3	22.7	1.4	4.8	3.1	1.6	-1.2	1.7
2006 Q1	45.8	42.7	10.1	4.6	3.0	24.9	21.3	1.1	3.1	1.9	1.2	-3.0	0.1
Q2	46.0	42.7	10.3	5.0	3.0	24.4	21.4	1.0	3.3	2.4	1.0	0.0	3.0
Q3	46.3	42.0	9.8	4.7	3.0	24.5	21.2	1.1	4.3	2.5	1.8	-2.9	0.1

Source: ECB calculations based on Eurostat and national data.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt

(as a percentage of GDP)

1. Euro area − Maastricht debt by financial instrument [1)]

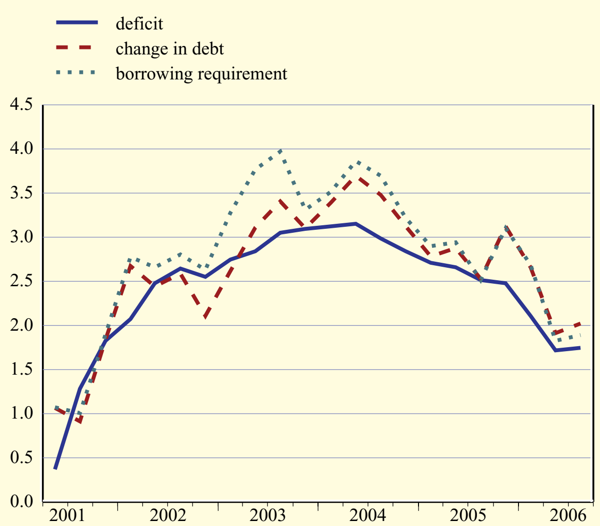
	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2003 Q4	69.3	2.1	12.3	5.0	49.9
2004 Q1	70.8	2.1	12.3	5.5	50.8
Q2	71.4	2.2	12.1	5.5	51.5
Q3	71.3	2.3	12.1	5.6	51.4
Q4	69.8	2.2	11.9	5.1	50.7
2005 Q1	71.1	2.2	11.9	5.3	51.7
Q2	72.0	2.4	11.7	5.3	52.6
Q3	71.6	2.4	11.8	5.3	52.1
Q4	70.8	2.4	11.8	4.9	51.6
2006 Q1	71.2	2.5	11.8	5.1	51.8
Q2	71.2	2.5	11.6	5.1	52.0
Q3	70.8	2.5	11.7	4.9	51.7

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2003 Q4	-2.0	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.6	-1.5
2004 Q1	8.5	-5.1	3.4	2.0	1.4	-0.1	0.2	0.5	-0.1	1.5	8.6
Q2	5.6	-1.6	3.9	4.1	3.4	0.2	0.3	0.3	0.0	-0.2	5.5
Q3	2.0	-3.4	-1.4	-1.1	-1.4	0.0	0.2	0.2	-0.3	-0.1	2.3
Q4	-3.1	-1.3	-4.5	-3.4	-2.6	0.1	-0.2	-0.7	0.0	-1.0	-3.1
2005 Q1	7.0	-4.5	2.4	2.5	1.4	0.2	0.4	0.4	-0.2	0.2	7.2
Q2	5.8	-1.5	4.4	3.6	2.7	0.2	0.3	0.4	0.2	0.5	5.6
Q3	0.7	-2.8	-2.2	-2.6	-2.5	-0.2	0.3	-0.3	0.0	0.4	0.6
Q4	-0.7	-1.2	-1.9	-0.6	-0.3	0.1	-0.4	0.0	0.0	-1.3	-0.7
2006 Q1	5.0	-3.0	2.0	1.5	1.1	0.1	0.6	-0.3	-0.4	0.8	5.3
Q2	2.8	0.0	2.8	3.1	2.4	0.1	0.3	0.2	0.6	-0.9	2.1
Q3	1.2	-2.9	-1.8	-0.9	-0.6	-0.1	0.1	-0.2	0.2	-1.1	0.9

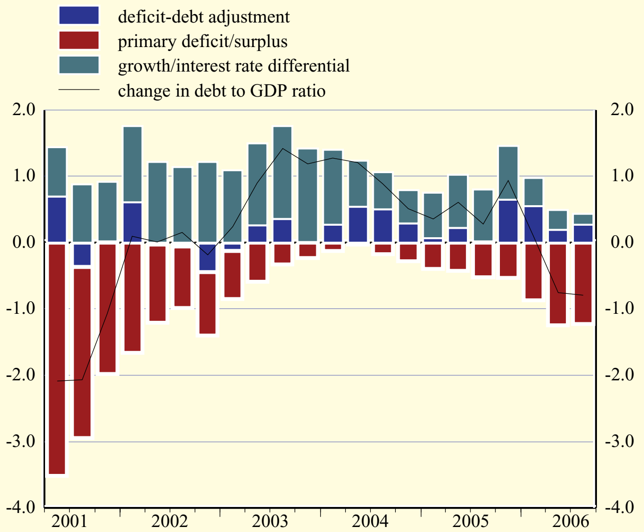
C28 Deficit, borrowing requirement and change in debt

(four-quarter moving sum as a percentage of GDP)



C29 Maastricht debt

(annual change in the debt to GDP ratio and underlying factors)



Source: ECB calculations based on Eurostat and national data.

1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

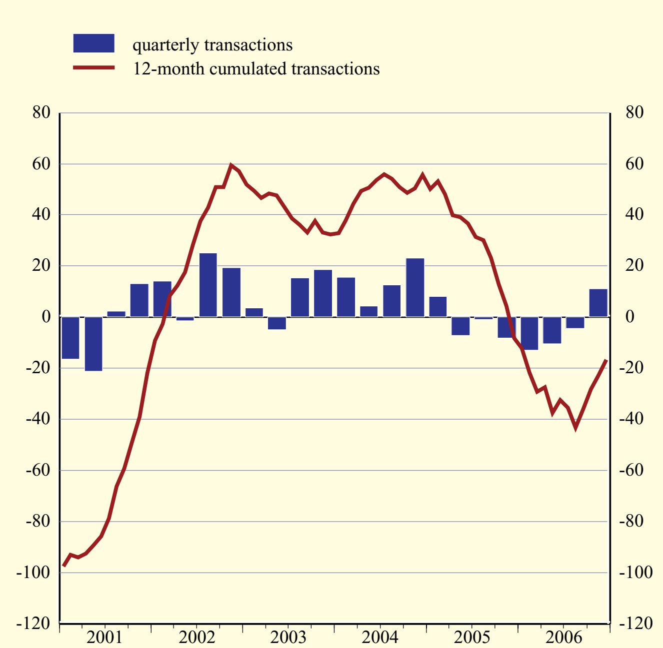
EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

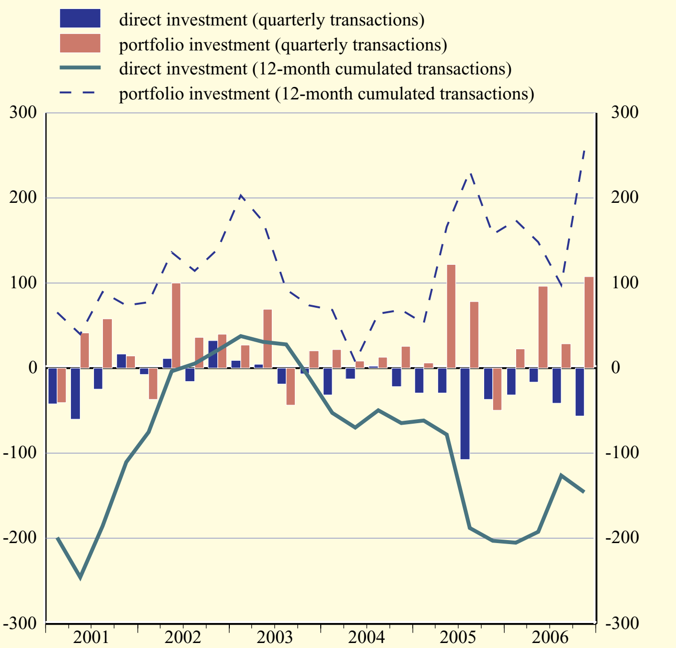
1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	55.6	103.5	30.8	-19.8	-58.8	16.6	72.2	-21.1	-64.2	68.2	-6.6	-30.9	12.4	-51.1
2005	-8.2	48.2	36.0	-22.2	-70.2	11.9	3.7	37.4	-202.3	156.9	-10.7	75.5	18.0	-41.1
2006	-16.8	28.4	36.3	-7.7	-73.8	10.7	-6.1	109.0	-145.9	255.1	-5.7	9.2	-3.7	-103.0
2005 Q4	-8.1	3.9	11.0	-6.4	-16.6	4.6	-3.6	-42.4	-36.5	-49.5	-6.2	41.5	8.3	46.0
2006 Q1	-12.8	-2.8	4.8	1.4	-16.2	2.0	-10.8	65.7	-31.5	22.9	-8.5	76.8	6.1	-54.9
Q2	-10.5	6.4	11.9	-13.1	-15.7	1.3	-9.2	48.5	-16.4	96.3	-2.8	-27.2	-1.4	-39.3
Q3	-4.5	8.0	10.7	-0.4	-22.8	1.9	-2.6	52.1	-41.3	28.4	7.7	60.6	-3.2	-49.5
Q4	11.1	16.9	8.9	4.5	-19.1	5.5	16.6	-57.3	-56.6	107.6	-2.0	-101.1	-5.2	40.7
2005 Dec.	-0.8	1.8	3.5	-0.4	-5.8	3.1	2.3	-31.1	-17.2	-1.0	-4.0	-16.1	7.2	28.8
2006 Jan.	-10.2	-6.3	0.9	0.0	-4.7	0.8	-9.4	-3.2	-2.7	-36.4	-2.9	41.1	-2.3	12.6
Feb.	-0.6	0.5	2.3	0.8	-4.3	1.0	0.4	19.5	-29.1	21.4	-3.3	28.6	1.9	-19.9
Mar.	-2.1	3.0	1.5	0.6	-7.2	0.2	-1.9	49.5	0.3	37.9	-2.3	7.1	6.5	-47.6
Apr.	-7.3	0.7	3.1	-4.9	-6.2	0.3	-7.0	17.4	1.8	-7.4	-6.5	30.6	-1.1	-10.4
May	-11.5	0.5	3.9	-10.4	-5.4	0.3	-11.2	31.9	-3.4	40.2	1.8	-5.1	-1.7	-20.7
June	8.3	5.2	4.9	2.3	-4.1	0.7	9.0	-0.8	-14.8	63.5	1.8	-52.7	1.4	-8.2
July	0.3	4.6	5.0	-1.5	-7.8	0.7	1.0	6.2	-9.5	-0.1	3.3	13.8	-1.3	-7.2
Aug.	-6.3	-2.3	1.3	1.5	-6.8	1.0	-5.3	1.6	-4.7	-15.8	-2.5	25.5	-0.8	3.7
Sep.	1.5	5.7	4.5	-0.4	-8.2	0.2	1.7	44.3	-27.1	44.2	6.9	21.4	-1.1	-46.0
Oct.	1.5	5.8	3.9	-0.4	-7.7	0.4	2.0	-4.3	-15.3	22.5	6.9	-18.4	0.1	2.3
Nov.	4.5	7.7	2.3	1.9	-7.3	1.0	5.6	-18.7	-13.0	45.5	-4.1	-46.2	-0.8	13.1
Dec.	5.0	3.4	2.7	3.0	-4.1	4.1	9.1	-34.4	-28.3	39.6	-4.8	-36.4	-4.4	25.3
	12-month cumulated transactions													
2006 Dec.	-16.8	28.4	36.3	-7.7	-73.8	10.7	-6.1	109.0	-145.9	255.1	-5.7	9.2	-3.7	-103.0

C30 B.o.p. current account balance
(EUR billions)



C31 B.o.p. net direct and portfolio investment
(EUR billions)



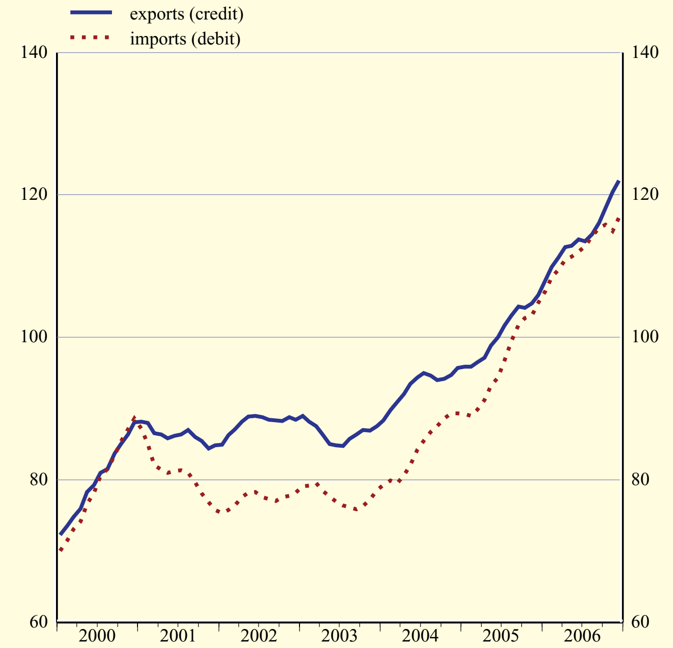
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

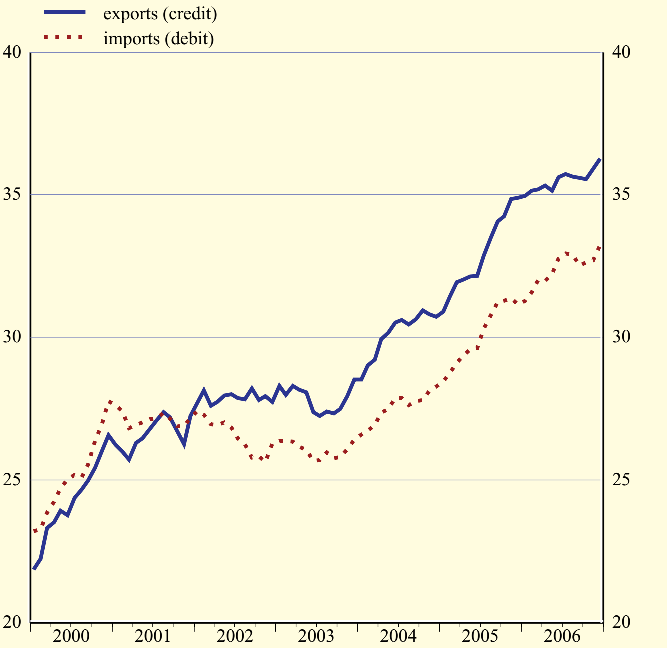
2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	1,859.5	1,803.9	55.6	1,132.4	1,028.9	364.8	334.1	280.7	300.5	81.6	140.5	24.6	8.0
2005	2,048.4	2,056.7	-8.2	1,224.3	1,176.1	400.3	364.3	338.9	361.1	85.1	155.2	23.8	11.9
2006	2,317.1	2,333.9	-16.8	1,387.8	1,359.4	427.5	391.2	418.9	426.6	82.8	156.6	22.8	12.1
2005 Q4	555.1	563.2	-8.1	327.8	323.9	106.0	95.0	98.7	105.1	22.5	39.2	8.3	3.8
2006 Q1	542.3	555.1	-12.8	329.7	332.6	96.6	91.8	86.3	84.9	29.6	45.8	5.9	3.9
Q2	579.9	590.4	-10.5	342.2	335.8	106.9	95.0	113.4	126.5	17.3	33.0	4.4	3.2
Q3	571.5	576.0	-4.5	341.0	333.0	114.4	103.7	100.7	101.1	15.4	38.2	4.4	2.5
Q4	623.5	612.4	11.1	374.9	358.0	109.6	100.7	118.5	114.0	20.5	39.6	8.1	2.5
2006 Oct.	204.0	202.4	1.5	127.9	122.1	37.4	33.5	33.8	34.2	4.9	12.6	1.3	0.8
Nov.	206.8	202.3	4.5	129.5	121.8	34.5	32.3	37.5	35.6	5.2	12.5	1.8	0.8
Dec.	212.7	207.7	5.0	117.4	114.1	37.7	35.0	47.2	44.2	10.4	14.4	5.0	1.0
	Seasonally adjusted												
2005 Q4	535.7	549.6	-14.0	317.8	314.6	104.7	93.4	92.5	101.6	20.8	40.0	.	.
2006 Q1	559.4	565.9	-6.5	333.4	328.4	105.6	96.0	92.7	98.2	27.7	43.3	.	.
Q2	575.4	580.0	-4.6	341.2	336.2	106.9	98.3	106.2	109.5	21.2	36.0	.	.
Q3	582.2	592.2	-10.0	348.4	346.2	106.8	97.6	106.5	107.7	20.5	40.7	.	.
Q4	606.2	601.3	5.0	366.0	350.4	108.8	99.7	112.0	109.6	19.4	41.5	.	.
2006 Apr.	185.5	185.5	0.0	113.5	111.9	35.1	31.8	30.4	29.0	6.4	12.9	.	.
May	194.6	201.8	-7.2	112.8	112.1	35.8	33.1	38.9	44.5	7.2	12.2	.	.
June	195.3	192.7	2.7	114.9	112.2	36.0	33.4	36.9	36.1	7.6	11.0	.	.
July	190.2	194.3	-4.1	113.0	114.1	35.4	32.4	35.6	34.4	6.2	13.5	.	.
Aug.	191.4	199.7	-8.3	115.5	116.3	35.5	32.9	32.8	36.8	7.6	13.7	.	.
Sep.	200.6	198.3	2.3	119.8	115.9	35.9	32.3	38.1	36.5	6.7	13.6	.	.
Oct.	197.7	195.9	1.8	119.0	115.3	35.3	32.7	35.9	32.6	7.5	15.4	.	.
Nov.	197.5	196.6	0.9	122.3	113.7	36.5	33.1	33.9	36.3	4.7	13.6	.	.
Dec.	211.1	208.7	2.3	124.7	121.5	37.0	34.0	42.1	40.7	7.3	12.6	.	.

C32 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C33 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.1 Balance of payments
(EUR billions)

3. Income account
(transactions)

	Compensation of employees		Investment income											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	15.1	7.5	227.7	273.4	64.7	57.8	10.3	10.8	18.7	52.9	65.6	79.4	68.4	72.6
2004	15.4	7.9	265.3	292.6	94.7	74.3	13.4	12.9	24.5	56.0	67.5	77.5	65.2	71.9
2005	15.7	9.4	323.2	351.6	112.7	89.4	13.8	13.8	31.2	71.4	78.9	80.0	86.6	97.1
2005 Q3	3.9	2.9	80.4	85.5	27.8	26.1	3.1	3.0	7.5	15.8	20.6	17.0	21.3	23.6
Q4	4.0	2.5	94.7	102.6	36.4	33.4	4.1	4.2	7.3	14.0	21.3	22.5	25.5	28.5
2006 Q1	4.0	2.0	82.3	82.9	19.8	12.2	4.2	3.5	8.2	16.1	23.5	21.2	26.7	29.9
Q2	4.0	2.5	109.4	124.0	36.4	18.9	4.5	4.2	13.2	42.9	24.7	21.9	30.8	36.1
Q3	4.0	3.0	96.7	98.1	24.6	15.2	4.4	4.1	8.4	21.4	26.3	19.1	32.9	38.2

4. Direct investment
(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	-154.8	-164.9	-21.4	-143.5	10.1	0.1	10.0	90.6	94.1	1.5	92.6	-3.5	0.5	-4.0
2005	-294.0	-234.5	-12.0	-222.5	-59.5	-0.2	-59.3	91.7	59.8	0.6	59.2	31.9	-0.3	32.2
2006	-297.9	-243.5	-34.1	-209.4	-54.4	-1.8	-52.6	152.0	119.5	3.8	115.7	32.5	-0.2	32.7
2005 Q4	-72.7	-58.4	-0.4	-58.0	-14.4	0.1	-14.4	36.2	26.8	-1.5	28.3	9.4	-0.4	9.8
2006 Q1	-50.5	-41.7	-1.8	-39.9	-8.8	0.2	-9.1	19.0	14.7	0.7	14.0	4.3	-0.3	4.6
Q2	-109.2	-88.2	-6.2	-82.0	-21.0	-1.1	-20.0	92.8	79.5	0.5	78.9	13.4	1.0	12.4
Q3	-69.0	-60.3	-10.4	-50.0	-8.7	-0.1	-8.6	27.7	25.3	1.2	24.1	2.4	-0.3	2.7
Q4	-69.1	-53.3	-15.8	-37.5	-15.8	-0.8	-15.0	12.5	0.1	1.4	-1.3	12.4	-0.6	13.0
2005 Dec.	-39.9	-40.5	-0.8	-39.8	0.6	0.4	0.2	22.7	12.8	-0.2	12.9	10.0	-0.9	10.8
2006 Jan.	-6.5	4.4	-0.6	5.0	-10.9	-0.1	-10.8	3.8	6.2	0.2	6.0	-2.4	0.1	-2.5
Feb.	-39.4	-33.8	-1.6	-32.3	-5.6	0.1	-5.7	10.3	12.0	0.4	11.6	-1.7	0.1	-1.8
Mar.	-4.6	-12.2	0.4	-12.6	7.6	0.2	7.4	4.9	-3.4	0.2	-3.6	8.3	-0.5	8.9
Apr.	-82.9	-59.1	-1.8	-57.3	-23.8	-0.5	-23.3	84.7	70.9	0.0	70.8	13.9	0.2	13.6
May	-14.3	-19.0	-3.2	-15.8	4.7	-0.3	5.0	10.9	8.7	0.4	8.3	2.2	0.4	1.8
June	-12.0	-10.1	-1.2	-8.9	-1.9	-0.2	-1.7	-2.8	-0.1	0.1	-0.2	-2.7	0.4	-3.1
July	-16.4	-13.3	-1.5	-11.8	-3.2	0.0	-3.2	6.9	5.4	0.4	5.1	1.5	-0.1	1.6
Aug.	-4.8	-7.9	-3.6	-4.3	3.1	-0.1	3.2	0.1	5.7	0.4	5.3	-5.6	-0.1	-5.5
Sep.	-47.8	-39.2	-5.3	-33.9	-8.6	0.0	-8.6	20.7	14.1	0.4	13.7	6.6	-0.1	6.6
Oct.	-20.1	-12.8	-5.7	-7.1	-7.3	0.1	-7.4	4.8	-1.3	1.2	-2.5	6.1	1.4	4.7
Nov.	-12.1	-14.1	-1.7	-12.4	2.0	-0.2	2.2	-0.9	-5.0	0.1	-5.1	4.1	-1.9	6.0
Dec.	-36.9	-26.3	-8.4	-18.0	-10.5	-0.7	-9.8	8.6	6.4	0.0	6.3	2.2	-0.1	2.2

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				General gov.					General gov.					General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	0.0	-22.4	-84.2	-3.7	123.9	1.2	-81.9	-96.6	-2.1	272.1	0.0	-43.2	-15.2	0.1	14.5
2005	-0.1	-14.1	-120.4	-3.4	282.8	-0.7	-118.6	-137.9	-0.8	242.5	0.1	-14.3	0.0	0.1	37.7
2006	0.0	-27.6	-100.1	.	303.6	-2.5	-171.2	-114.0	.	422.4	-0.1	-46.6	-8.2	.	-0.7
2005 Q4	0.0	-4.8	-53.8	-0.8	63.0	0.6	-24.6	-26.9	-0.2	18.5	0.1	-4.7	5.9	5.9	-22.6
2006 Q1	0.0	-19.1	-77.9	-0.6	121.2	-0.1	-53.7	-36.2	-0.2	80.8	0.7	2.5	-10.3	-3.8	15.0
Q2	0.0	11.6	7.4	-2.6	35.7	1.0	-23.4	-27.0	0.1	113.8	-3.2	-7.4	-0.9	-3.2	-11.3
Q3	0.0	-5.3	-25.7	-0.8	67.8	-0.4	-51.8	-15.6	-0.2	75.9	1.9	-25.6	0.7	3.1	6.5
Q4	0.0	-14.8	-3.9	.	78.9	-3.0	-42.2	-35.2	.	151.9	0.6	-16.0	2.3	.	-10.9
2005 Dec.	0.0	-2.7	-22.1	-	55.5	-0.2	-3.7	-3.7	-	-3.6	0.0	-6.0	4.3	-	-18.7
2006 Jan.	0.0	-6.7	-37.2	-	35.5	0.2	-32.8	-2.5	-	1.0	0.4	3.0	-7.5	-	10.2
Feb.	0.0	-3.7	-23.4	-	36.2	-0.2	-7.1	-16.9	-	25.0	0.3	1.5	-2.3	-	12.0
Mar.	0.0	-8.7	-17.4	-	49.5	-0.1	-13.8	-16.8	-	54.9	0.0	-2.0	-0.5	-	-7.1
Apr.	0.0	3.5	-5.8	-	-10.0	0.2	-6.1	-11.4	-	25.8	-1.1	-7.0	0.6	-	3.9
May	0.0	3.5	12.1	-	-11.7	0.1	-11.0	-12.1	-	63.6	-1.6	-2.0	-2.1	-	1.6
June	0.0	4.6	1.1	-	57.5	0.6	-6.3	-3.4	-	24.4	-0.4	1.6	0.6	-	-16.8
July	0.0	2.4	-12.3	-	43.1	0.2	-13.1	-2.1	-	3.8	0.4	-18.2	-0.9	-	-3.3
Aug.	0.0	-4.6	-7.8	-	-4.1	0.0	-9.0	-9.1	-	12.8	1.0	0.2	1.2	-	3.5
Sep.	0.0	-3.1	-5.5	-	28.7	-0.6	-29.7	-4.4	-	59.3	0.5	-7.7	0.4	-	6.3
Oct.	0.0	-5.4	-1.3	-	16.7	-1.8	-16.2	-19.0	-	45.6	0.4	-5.0	-0.5	-	8.9
Nov.	0.0	-1.3	-6.8	-	29.3	-0.6	-27.6	-6.9	-	51.0	0.3	-8.7	5.0	-	11.7
Dec.	0.0	-8.0	4.1	-	32.9	-0.6	1.5	-9.3	-	55.3	-0.1	-2.4	-2.2	-	-31.6

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2004	-314.4	283.5	-0.2	7.7	-1.5	-2.0	-3.6	-261.7	244.9	4.4	-17.4	-266.2	262.3	-50.9	-10.4	34.4
2005	-569.6	645.1	-0.6	6.7	5.2	-2.4	-2.4	-397.7	479.4	-98.6	51.7	-299.1	427.7	-176.5	-6.6	161.5
2006	-774.2	783.3	-2.2	18.7	3.4	-2.8	-0.1	-549.0	498.8	-152.6	51.4	-396.4	447.5	-226.3	21.2	265.9
2005 Q4	-129.0	170.5	-0.8	-0.9	-2.0	-1.1	-2.0	-88.4	120.0	-38.0	5.3	-50.4	114.8	-37.8	13.5	53.5
2006 Q1	-218.3	295.1	-3.4	6.6	7.6	3.8	-3.6	-136.4	222.2	-13.3	12.8	-123.2	209.4	-86.1	-8.4	69.8
Q2	-106.1	78.9	0.8	2.3	-11.2	-12.1	0.3	-57.6	10.5	-15.5	21.7	-42.2	-11.2	-38.1	13.0	65.8
Q3	-154.1	214.7	0.2	4.9	12.4	8.5	6.5	-119.4	160.7	-32.7	21.2	-86.8	139.6	-47.3	7.9	42.6
Q4	-295.7	194.6	0.1	4.8	-5.4	-2.9	-3.3	-235.5	105.4	-91.2	-4.3	-144.3	109.7	-54.9	8.7	87.6
2005 Dec.	71.4	-87.6	0.1	-2.0	-1.5	-2.1	-4.1	71.0	-107.1	-33.2	1.5	104.2	-108.6	1.8	13.9	25.6
2006 Jan.	-103.2	144.3	0.1	4.9	3.7	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.8	118.6	-35.9	-15.8	24.2
Feb.	-44.5	73.1	-4.4	0.2	1.2	1.0	-1.2	-3.9	36.3	-7.4	9.8	3.5	26.4	-37.5	-3.4	37.9
Mar.	-70.5	77.6	1.0	1.6	2.6	0.5	0.0	-61.5	68.3	-12.5	4.0	-48.9	64.3	-12.7	10.9	7.8
Apr.	-83.1	113.7	0.2	-1.4	-4.5	-4.9	4.3	-64.5	82.4	0.0	10.1	-64.4	72.4	-14.3	4.9	28.4
May	-73.2	68.1	0.0	4.6	-4.4	-4.7	-4.8	-45.1	40.6	-3.4	2.5	-41.7	38.1	-23.7	-4.8	27.7
June	50.2	-102.9	0.6	-0.9	-2.3	-2.6	0.8	52.0	-112.6	-12.0	9.1	64.0	-121.7	-0.1	12.9	9.8
July	-59.2	73.0	1.5	1.0	7.2	7.1	1.8	-48.2	64.8	-10.4	8.5	-37.8	56.2	-19.7	6.7	5.4
Aug.	1.6	23.8	-1.8	1.3	0.6	0.0	-0.5	7.3	18.5	-7.2	6.7	14.6	11.8	-4.5	-1.5	4.5
Sep.	-96.5	117.9	0.5	2.6	4.6	1.5	5.1	-78.5	77.5	-15.0	5.9	-63.5	71.5	-23.1	2.7	32.7
Oct.	-109.8	91.4	-0.3	-0.9	-2.2	-3.8	-2.2	-84.3	67.7	-47.9	-2.2	-36.5	69.9	-22.9	2.2	26.7
Nov.	-155.0	108.8	0.6	3.2	-3.9	-4.4	1.6	-116.0	74.0	-14.2	12.0	-101.7	61.9	-35.7	-7.3	30.1
Dec.	-30.9	-5.5	-0.2	2.5	0.7	5.4	-2.6	-35.2	-36.3	-29.1	-14.1	-6.2	-22.1	3.7	13.7	30.8

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-0.8	0.0	10.7	0.0	-0.1	0.8	-0.2	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.7	0.1	0.0	-0.3	1.7	-2.0	-1.3	0.0	-3.4	-0.2
2005	-0.5	-0.1	6.7	0.0	0.0	6.4	8.9	-2.4	-1.2	0.0	-2.2	-0.3
2005 Q3	0.9	0.0	4.9	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1
Q4	-0.8	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0
2006 Q1	-3.4	0.0	6.6	0.1	0.0	7.8	4.0	3.8	-0.1	0.0	-3.2	-0.4
Q2	0.8	0.0	2.4	0.0	0.0	-10.8	1.4	-12.1	-0.4	0.0	0.2	0.1
Q3	0.2	0.0	4.8	0.0	0.0	12.3	3.8	8.5	0.1	0.0	6.3	0.1

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2003	-152.1	-0.5	134.8	-0.1	-0.9	-95.3	-9.1	-86.3	-2.3	4.3	29.4	0.3
2004	-257.8	-3.9	242.0	2.9	-6.1	-40.6	-30.2	-10.4	-4.3	9.3	23.5	1.6
2005	-394.6	-3.1	477.8	1.6	-8.7	-151.4	-144.8	-6.6	-16.5	11.5	143.8	6.2
2005 Q3	-81.5	-5.2	120.4	2.7	1.4	-22.9	-6.9	-16.0	-6.6	1.9	27.3	-1.7
Q4	-91.9	3.5	124.8	-4.8	-1.9	-36.9	-50.3	13.5	0.9	4.9	47.7	0.9
2006 Q1	-132.6	-3.9	216.3	5.9	-3.8	-74.0	-65.5	-8.4	-8.4	4.4	60.0	5.4
Q2	-58.1	0.5	16.0	-5.5	-3.5	-37.0	-50.0	13.0	2.4	3.9	66.8	-4.9
Q3	-118.6	-0.9	159.1	1.6	2.4	-45.9	-53.8	7.9	-3.8	3.3	36.5	2.9

8. Reserve assets

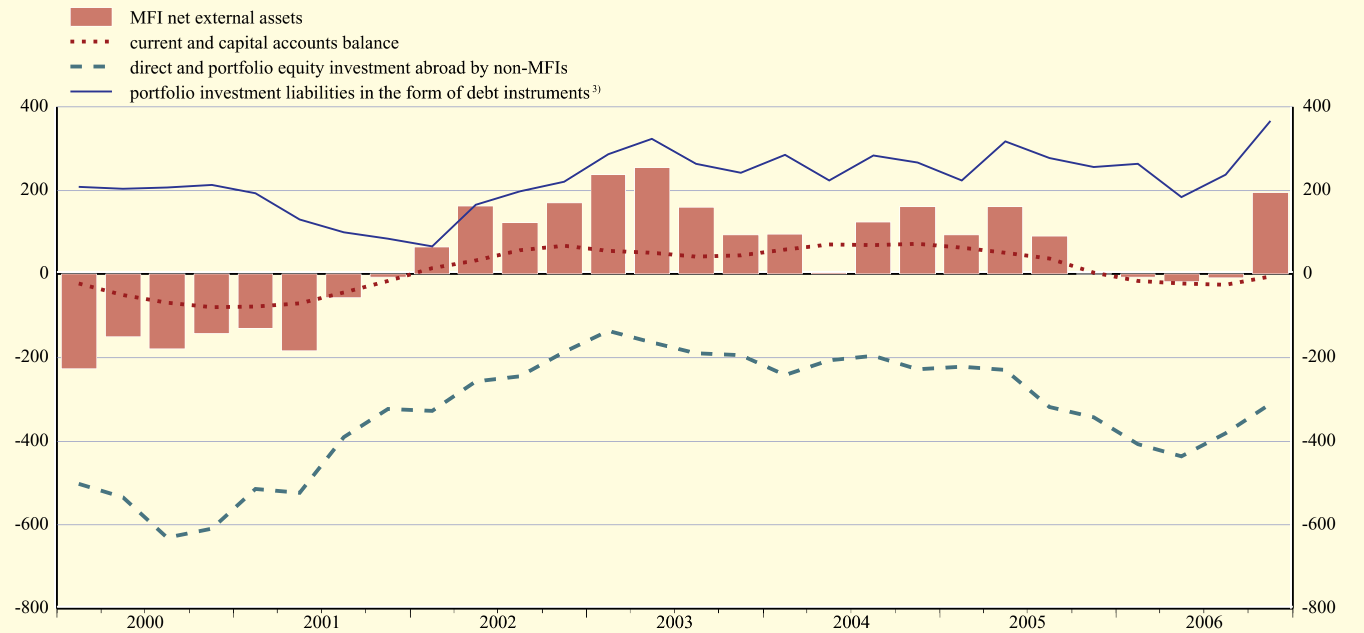
	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
2003	27.8	1.7	0.0	-1.6	27.7	-2.5	1.9	-0.1	22.2	6.3	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.7	-3.0	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2005 Q3	2.4	0.5	0.0	2.6	-0.7	1.4	1.4	0.0	-4.9	1.4	-0.1	0.0
Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	6.1	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.6	4.6	0.0	-0.5
Q2	-1.4	1.4	0.0	-0.5	-3.0	0.9	2.4	0.0	-6.8	0.5	0.0	0.7
Q3	-3.2	0.9	-0.3	0.8	-4.6	1.0	-2.9	0.0	-3.9	1.1	0.0	0.0

Source: ECB.

7.2 Monetary presentation of the balance of payments [1]
(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [2]	Debt instruments [3]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2004	72.2	-133.6	90.1	-196.0	113.9	266.7	-52.5	30.8	-6.6	-51.1	134.0	160.8
2005	3.7	-281.8	92.0	-258.2	239.6	256.1	-171.3	159.1	-10.7	-41.1	-12.7	0.5
2006	-6.1	-262.0	152.2	-222.2	242.5	366.3	-222.9	265.8	-5.7	-103.0	204.9	195.2
2005 Q4	-3.6	-72.4	36.6	-74.9	48.2	-7.8	-39.8	51.4	-6.2	46.0	-22.5	-33.1
2006 Q1	-10.8	-49.0	19.3	-124.4	116.1	73.8	-78.5	66.2	-8.5	-54.9	-50.8	-38.1
Q2	-9.2	-101.9	91.8	-20.4	29.2	98.2	-49.3	66.1	-2.8	-39.3	62.4	60.3
Q3	-2.6	-58.6	28.0	-40.5	34.5	72.8	-34.9	49.1	7.7	-49.5	5.9	1.7
Q4	16.6	-52.5	13.0	-36.8	62.8	121.4	-60.3	84.4	-2.0	40.7	187.3	171.3
2005 Dec.	2.3	-39.5	23.6	-21.5	41.6	-20.6	0.4	21.5	-4.0	28.8	32.5	18.5
2006 Jan.	-9.4	-5.8	3.8	-47.1	31.8	3.6	-32.2	21.8	-2.9	12.6	-23.9	-12.4
Feb.	0.4	-37.9	10.2	-42.6	31.3	31.0	-36.3	36.7	-3.3	-19.9	-30.3	-26.1
Mar.	-1.9	-5.3	5.4	-34.7	52.9	39.2	-10.0	7.7	-2.3	-47.6	3.5	0.4
Apr.	-7.0	-80.6	84.5	-16.6	-14.1	20.1	-18.8	32.7	-6.5	-10.4	-16.7	-16.4
May	-11.2	-10.8	10.5	-2.1	-12.2	60.9	-28.1	22.9	1.8	-20.7	11.1	6.4
June	9.0	-10.6	-3.1	-1.7	55.5	17.2	-2.4	10.6	1.8	-8.2	68.0	70.3
July	1.0	-15.0	7.1	-15.3	24.9	4.0	-12.5	7.2	3.3	-7.2	-2.4	3.8
Aug.	-5.3	-1.1	0.2	-15.7	1.1	8.8	-3.9	4.0	-2.5	3.7	-10.8	-19.1
Sep.	1.7	-42.5	20.7	-9.5	8.5	60.0	-18.5	37.8	6.9	-46.0	19.2	17.0
Oct.	2.0	-14.5	3.4	-20.8	6.2	31.9	-25.1	24.5	6.9	2.3	16.8	19.5
Nov.	5.6	-10.2	1.0	-8.7	33.7	63.9	-39.6	31.6	-4.1	13.1	86.2	71.5
Dec.	9.1	-27.8	8.6	-7.4	22.9	25.6	4.5	28.2	-4.8	25.3	84.3	80.3
	12-month cumulated transactions											
2006 Dec.	-6.1	-262.0	152.2	-222.2	242.5	366.3	-222.9	265.8	-5.7	-103.0	204.9	195.2

C34 Main b.o.p. transactions underlying the developments in MFI net external assets [1]
(EUR billions; 12-month cumulated transactions)



Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Excluding money market fund shares/units.
3) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.3 Geographical breakdown of the balance of payments and international investment position
(EUR billions)

1. Balance of payments: current and capital accounts
(cumulated transactions)

2005 Q4 to 2006 Q3	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	2,248.7	821.2	46.3	71.5	432.9	211.7	58.8	29.9	55.2	147.2	379.1	816.1
Goods	1,340.8	467.0	30.9	47.7	220.0	168.2	0.1	17.6	34.1	74.7	198.9	548.4
Services	423.9	149.3	8.3	11.5	102.7	21.6	5.3	6.2	11.8	41.2	78.6	136.8
Income	399.1	144.1	6.5	11.6	100.1	19.7	6.1	5.7	8.5	25.0	94.9	120.9
of which: investment income	383.1	138.7	6.4	11.5	98.3	19.5	2.9	5.7	8.4	18.8	93.5	118.0
Current transfers	84.9	60.9	0.5	0.7	10.1	2.3	47.3	0.4	0.8	6.3	6.6	9.9
Capital account	23.0	19.3	0.0	0.1	0.8	0.2	18.2	0.0	0.0	0.4	0.6	2.7
	Debits											
Current account	2,284.7	732.0	38.7	68.3	364.4	166.7	93.9	21.6	84.8	138.9	336.7	970.7
Goods	1,325.3	375.4	26.8	44.3	170.2	134.2	0.0	10.6	52.8	67.3	128.5	690.7
Services	385.5	121.7	7.0	9.0	81.1	24.4	0.1	5.2	7.5	30.7	87.0	133.5
Income	417.7	136.4	4.4	14.3	104.5	6.7	6.5	4.5	24.0	35.6	114.0	103.1
of which: investment income	407.7	131.2	4.4	14.2	103.4	2.8	6.5	4.4	23.9	35.1	113.2	99.8
Current transfers	156.2	98.6	0.5	0.8	8.6	1.4	87.3	1.3	0.4	5.3	7.2	43.4
Capital account	13.3	1.8	0.0	0.2	1.2	0.3	0.2	0.1	0.1	0.5	1.2	9.6
	Net											
Current account	-36.0	89.2	7.6	3.2	68.6	45.0	-35.1	8.4	-29.6	8.2	42.4	-154.6
Goods	15.4	91.6	4.1	3.5	49.8	34.1	0.1	7.1	-18.7	7.4	70.4	-142.3
Services	38.4	27.6	1.3	2.5	21.6	-2.9	5.2	1.1	4.3	10.5	-8.3	3.3
Income	-18.6	7.6	2.1	-2.6	-4.4	12.9	-0.5	1.2	-15.5	-10.7	-19.1	17.9
of which: investment income	-24.6	7.5	2.1	-2.6	-5.0	16.7	-3.7	1.3	-15.5	-16.3	-19.7	18.2
Current transfers	-71.3	-37.6	0.0	-0.1	1.5	0.9	-39.9	-1.0	0.4	1.0	-0.6	-33.5
Capital account	9.7	17.5	0.0	-0.1	-0.3	-0.1	18.0	-0.1	0.0	-0.1	-0.6	-6.9

2. Balance of payments: direct investment
(cumulated transactions)

2005 Q4 to 2006 Q3	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-125.8	-79.2	-2.2	14.8	-69.3	-22.5	0.0	-0.7	1.3	-5.0	-3.8	4.7	-43.1
Abroad	-301.5	-165.2	-0.5	2.7	-144.6	-22.7	0.0	-6.0	-3.4	-10.1	-38.0	-28.3	-50.6
Equity/reinvested earnings	-248.6	-155.6	-0.9	-0.5	-132.4	-21.8	0.0	-1.9	-2.0	-6.8	-9.8	-23.3	-49.1
Other capital	-53.0	-9.5	0.4	3.2	-12.2	-0.9	0.0	-4.1	-1.4	-3.3	-28.2	-5.0	-1.5
In the euro area	175.7	86.0	-1.7	12.1	75.3	0.2	0.0	5.3	4.7	5.1	34.2	33.1	7.5
Equity/reinvested earnings	146.3	71.0	-2.4	11.7	60.8	0.8	0.0	3.9	4.0	10.2	8.9	42.5	5.8
Other capital	29.4	15.0	0.8	0.4	14.4	-0.6	0.0	1.4	0.7	-5.1	25.3	-9.5	1.6

Source: ECB.

7.3 Geographical breakdown of the balance of payments and international investment position
(EUR billions)

3. Balance of payments: portfolio investment assets by instrument
(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2005 Q4 to 2006 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-466.4	-131.7	-0.7	-5.3	-121.3	-5.8	1.5	-7.3	-30.7	-4.2	-129.9	-93.9	-68.7
Equity	-167.7	-19.3	0.6	-3.3	-18.2	1.6	0.0	-1.5	-22.4	-2.6	-60.5	-33.1	-28.2
Debt instruments	-298.7	-112.5	-1.4	-2.1	-103.1	-7.4	1.5	-5.8	-8.3	-1.6	-69.4	-60.8	-40.4
Bonds and notes	-258.2	-96.4	-1.8	-1.9	-84.4	-9.9	1.5	-4.3	-7.8	1.0	-61.8	-47.8	-41.1
Money market instruments	-40.5	-16.0	0.5	-0.2	-18.7	2.5	0.0	-1.5	-0.6	-2.5	-7.6	-12.9	0.7

4. Balance of payments: other investment by sector
(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2005 Q4 to 2006 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	151.7	52.6	-1.1	6.9	45.8	-10.5	11.5	-0.8	34.2	-12.7	15.1	52.5	15.6	-4.7
Assets	-607.5	-401.0	-21.0	-1.8	-352.5	-25.5	-0.2	-2.1	20.2	-45.1	-22.6	-72.0	-0.9	-84.0
General government	6.8	-2.7	-0.1	-0.6	-1.7	0.2	-0.4	0.0	0.0	0.0	0.6	0.0	-1.4	10.3
MFIs	-405.1	-234.2	-20.3	-0.1	-190.5	-23.6	0.3	-1.6	19.8	-38.4	-27.0	-47.3	0.6	-77.0
Other sectors	-209.2	-164.1	-0.5	-1.1	-160.2	-2.1	-0.1	-0.6	0.4	-6.7	3.8	-24.7	-0.1	-17.3
Liabilities	759.2	453.6	19.9	8.7	398.3	15.0	11.7	1.3	14.0	32.4	37.8	124.5	16.5	79.3
General government	1.1	-1.5	0.0	0.0	-0.5	0.0	-1.0	0.0	-0.2	1.9	-0.7	0.0	2.9	-1.4
MFIs	526.4	256.9	19.5	8.0	216.0	12.5	0.9	1.3	11.7	27.5	6.6	123.4	13.6	85.4
Other sectors	231.7	198.1	0.4	0.7	182.7	2.5	11.8	0.0	2.5	2.9	31.9	1.0	0.0	-4.7

5. International investment position
(end-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2005	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	327.8	-157.7	0.8	-17.3	-292.9	151.7	-0.2	25.2	4.7	36.2	-1.5	-13.9	-0.3	435.2
Abroad	2,712.4	941.2	33.8	81.0	651.8	174.7	0.0	76.1	68.8	241.8	558.0	316.0	0.0	510.4
Equity/reinvested earnings	2,186.8	738.9	29.7	56.8	502.1	150.3	0.0	64.9	63.6	193.7	419.2	297.0	0.0	409.5
Other capital	525.6	202.3	4.1	24.2	149.6	24.5	0.0	11.2	5.2	48.1	138.9	19.0	0.0	100.9
In the euro area	2,384.6	1,099.0	32.9	98.3	944.6	23.0	0.2	50.9	64.1	205.6	559.5	329.9	0.3	75.2
Equity/reinvested earnings	1,776.3	873.3	26.8	81.9	757.0	7.5	0.1	45.9	53.5	141.2	396.0	199.7	0.0	66.8
Other capital	608.3	225.7	6.1	16.4	187.6	15.5	0.1	5.1	10.7	64.4	163.5	130.2	0.3	8.4
Portfolio investment assets	3,873.8	1,199.6	61.2	119.3	860.7	88.5	69.9	83.3	270.3	122.3	1,305.1	411.4	30.8	451.0
Equity	1,733.0	421.9	10.9	46.5	342.2	22.2	0.0	21.6	182.3	112.1	616.5	155.6	1.4	221.6
Debt instruments	2,140.8	777.8	50.3	72.8	518.6	66.3	69.9	61.7	87.9	10.2	688.6	255.7	29.4	229.4
Bonds and notes	1,826.1	649.4	45.9	61.6	407.8	64.3	69.8	60.2	62.3	7.8	589.4	228.5	28.7	199.7
Money market instruments	314.7	128.4	4.3	11.2	110.8	2.0	0.1	1.5	25.6	2.4	99.2	27.2	0.7	29.7
Other investment	-296.0	-49.5	51.8	15.4	17.8	9.1	-143.7	4.5	9.4	-81.7	-13.9	-216.5	-22.7	74.5
Assets	3,671.4	1,866.6	77.0	61.9	1,618.0	100.0	9.7	21.7	92.5	208.8	509.6	354.1	41.8	576.2
General government	101.8	17.8	0.2	0.3	8.9	1.0	7.4	0.1	0.1	0.1	3.3	1.2	35.8	43.4
MFIs	2,523.5	1,432.2	65.7	44.5	1,242.9	78.2	0.9	11.6	67.1	121.8	315.5	245.0	5.3	325.0
Other sectors	1,046.0	416.6	11.0	17.1	366.3	20.8	1.4	10.0	25.4	87.0	190.7	107.9	0.6	207.8
Liabilities	3,967.3	1,916.1	25.1	46.5	1,600.1	90.9	153.5	17.2	83.1	290.5	523.5	570.7	64.5	501.8
General government	46.2	23.5	0.0	0.3	3.3	0.0	20.0	0.0	0.8	0.1	7.4	0.2	3.2	11.1
MFIs	3,180.7	1,488.7	20.0	26.3	1,270.5	71.4	100.5	12.2	55.5	243.9	400.6	518.2	59.9	401.8
Other sectors	740.4	403.9	5.2	20.0	326.3	19.5	33.0	5.0	26.8	46.6	115.5	52.3	1.4	88.9

Source: ECB.

7.4 International investment position (including international reserves)

(EUR billions, unless otherwise indicated; end-of-period outstanding amounts)

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
	Net international investment position						
2002	-709.9	-9.8	181.4	-943.1	-12.6	-301.7	366.1
2003	-781.2	-10.5	90.7	-919.3	-7.5	-251.8	306.7
2004	-824.8	-10.6	109.7	-1,001.2	-14.9	-199.5	281.0
2005	-811.1	-10.1	327.8	-1,148.7	-14.4	-296.0	320.1
2006 Q2	-860.2	-10.3	355.5	-1,235.8	-2.1	-301.7	323.8
Q3	-965.2	-11.6	397.6	-1,293.6	-15.5	-378.8	325.1
	Outstanding assets						
2002	7,427.6	102.5	2,007.3	2,292.6	133.1	2,628.5	366.1
2003	7,970.9	106.9	2,171.1	2,659.0	160.8	2,673.4	306.7
2004	8,775.6	113.2	2,338.5	3,035.8	174.1	2,946.2	281.0
2005	10,813.8	135.1	2,712.4	3,873.8	236.1	3,671.4	320.1
2006 Q2	11,355.4	135.9	2,847.5	3,977.1	268.2	3,938.8	323.8
Q3	11,860.0	142.0	2,928.8	4,207.1	300.0	4,099.1	325.1
	Outstanding liabilities						
2002	8,137.6	112.3	1,826.0	3,235.8	145.7	2,930.2	-
2003	8,752.1	117.4	2,080.3	3,578.3	168.3	2,925.2	-
2004	9,600.5	123.9	2,228.8	4,037.0	189.0	3,145.7	-
2005	11,624.9	145.2	2,384.6	5,022.5	250.5	3,967.3	-
2006 Q2	12,215.6	146.2	2,492.0	5,212.9	270.3	4,240.5	-
Q3	12,825.2	153.5	2,531.1	5,500.7	315.4	4,477.9	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12
2002	1,546.4	132.7	1,413.7	460.9	1.6	459.3	1,294.8	42.1	1,252.7	531.1	2.9	528.3
2003	1,728.7	124.8	1,603.8	442.4	2.1	440.3	1,508.6	46.3	1,462.3	571.8	3.2	568.6
2004	1,899.2	145.0	1,754.2	439.3	3.1	436.2	1,659.7	44.0	1,615.8	569.1	8.2	560.9
2005	2,186.8	167.1	2,019.7	525.6	6.9	518.8	1,776.3	46.0	1,730.3	608.3	10.1	598.2
2006 Q2	2,300.2	165.2	2,135.0	547.3	7.2	540.0	1,881.5	44.5	1,837.0	610.5	10.1	600.4
Q3	2,380.3	177.2	2,203.0	548.5	6.9	541.5	1,924.2	46.3	1,877.9	606.9	10.0	596.9

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors				General gov.	Other sectors				General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,662.1	1.2	189.4	1.2	47.1	209.3
2003	1.7	53.6	11.5	1,026.4	1,570.7	8.3	461.1	8.0	846.7	1,759.6	1.1	191.5	0.6	48.5	248.0
2004	2.1	74.0	16.1	1,160.6	1,756.4	6.2	541.6	9.7	938.6	2,045.4	0.9	231.5	0.4	54.2	235.2
2005	3.0	100.6	26.6	1,602.9	2,428.5	6.6	693.6	11.5	1,114.3	2,276.2	0.8	260.6	0.4	52.9	317.7
2006 Q2	2.8	105.0	29.6	1,627.9	2,567.9	5.7	732.5	10.7	1,141.0	2,331.6	3.3	253.9	7.3	57.6	313.4
Q3	2.9	113.4	31.5	1,725.7	2,769.3	6.1	789.0	10.9	1,179.1	2,413.3	1.4	283.1	4.2	59.7	318.0

Source: ECB.

(EUR billions, unless stated otherwise; end-of-period outstanding amounts)

4. Other investment by instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2002	3.6	0.1	57.2	0.2	1.4	62.9	58.2	4.7	54.5	0.1	42.3	13.8
2003	4.4	0.6	66.0	0.2	0.2	59.4	53.6	5.8	41.6	0.0	42.0	3.8
2004	4.5	0.1	74.4	0.2	0.2	62.7	54.5	8.3	41.7	0.0	42.1	3.4
2005	4.8	0.2	82.2	0.2	0.1	58.0	46.2	11.8	43.7	0.0	42.6	3.6
2006 Q2	7.9	0.2	90.5	0.3	0.1	60.5	40.4	20.1	42.7	0.0	39.6	3.3
Q3	7.3	0.2	95.6	0.3	0.1	48.2	36.6	11.6	42.7	0.0	46.3	3.4

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2002	1,686.3	60.8	2,251.1	48.5	174.4	493.8	205.7	288.1	90.7	104.7	364.5	47.8
2003	1,739.8	38.4	2,243.1	30.9	168.9	535.9	207.0	328.9	84.2	107.0	386.4	45.7
2004	1,957.6	45.2	2,423.5	42.1	172.0	568.7	237.1	331.6	93.4	110.0	400.2	49.7
2005	2,462.3	56.2	3,046.0	52.3	184.5	729.8	374.8	355.0	131.7	124.9	546.4	69.1
2006 Q2	2,590.6	53.6	3,198.2	47.1	190.9	856.9	491.5	365.3	135.5	134.2	649.5	77.8
Q3	2,712.1	56.8	3,361.6	52.3	180.3	910.3	548.0	362.3	141.1	130.1	704.5	83.8

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.2	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
Q3	325.1	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	0.5	79.1	30.0	-0.1	0.0	26.8	-21.9
2006 Nov.	327.0	179.4	366.229	4.3	5.4	137.9	4.0	20.2	113.3	-	-	-	0.4	0.0	24.5	-19.8
Dec.	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	-	-	-	0.3	0.0	24.6	-21.5
2007 Jan.	338.4	183.1	364.652	4.7	5.1	145.4	4.4	22.9	118.1	-	-	-	0.0	0.0	24.9	-24.0
	of which held by the European Central Bank															
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q1	40.5	11.1	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
Q3	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	0.0	18.4	6.9	0.0	0.0	2.9	-0.7
2006 Nov.	40.1	10.4	21.312	0.2	0.0	29.4	0.8	3.4	25.2	-	-	-	0.0	0.0	2.7	-0.1
Dec.	39.9	9.9	20.572	0.4	0.0	29.6	1.6	1.5	26.5	-	-	-	0.0	0.0	2.8	-0.3
2007 Jan.	43.0	10.4	20.632	0.4	0.0	32.2	0.7	3.9	27.6	-	-	-	0.0	0.0	2.5	-2.0

Source: ECB.

7.5 Trade in goods
(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2003	-2.3	0.5	1,059.3	501.2	222.6	300.3	923.6	990.2	553.1	164.3	240.9	716.0	109.0
2004	8.9	9.4	1,147.6	547.7	247.6	313.5	999.0	1,075.6	605.3	184.1	256.2	770.1	129.5
2005	7.7	13.4	1,241.3	592.9	270.4	333.8	1,072.1	1,224.9	705.7	207.2	276.4	847.1	186.1
2006	11.2	13.3	1,384.0	664.6	290.6	364.5	1,185.7	1,393.7	826.3	206.6	301.9	941.0	.
2005 Q3	10.1	15.6	319.9	151.4	71.4	85.7	275.5	319.2	184.8	54.0	71.0	218.6	53.2
Q4	9.8	15.7	324.2	155.4	69.8	86.5	278.6	329.9	189.5	56.5	72.8	225.9	53.5
2006 Q1	15.9	22.3	333.1	159.4	71.2	89.1	285.2	336.3	197.5	52.6	74.0	224.6	55.8
Q2	9.4	14.2	339.2	162.5	71.4	89.7	291.4	344.2	204.2	52.0	74.6	233.1	56.4
Q3	7.9	10.2	346.9	168.0	72.3	91.2	298.0	355.2	212.8	51.0	75.5	238.9	59.9
Q4	12.0	7.9	364.9	174.7	75.8	94.6	311.1	357.9	211.8	51.0	77.9	244.3	.
2006 July	7.3	12.6	111.5	53.9	22.7	29.6	95.4	117.2	69.9	16.6	24.9	78.5	19.5
Aug.	8.0	10.7	115.2	55.6	23.4	30.8	99.6	120.0	73.5	17.4	25.3	80.5	21.7
Sep.	8.3	7.6	120.3	58.4	26.1	30.8	102.9	118.0	69.4	17.0	25.3	80.0	18.8
Oct.	16.0	13.5	119.6	57.6	24.9	30.9	102.9	117.8	70.2	17.2	25.7	81.4	18.1
Nov.	12.4	6.0	120.6	58.4	25.3	31.0	104.1	116.2	69.5	16.9	25.8	80.0	.
Dec.	7.6	4.4	124.6	58.7	25.6	32.7	104.1	123.9	72.1	16.9	26.3	82.9	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2003	1.0	3.7	109.0	105.9	108.0	114.9	109.3	101.9	100.4	95.4	110.5	100.1	104.9
2004	9.1	6.7	118.4	115.4	121.5	119.9	118.7	108.0	104.4	108.2	118.6	107.7	105.7
2005	4.7	5.2	124.5	120.1	131.1	125.0	124.8	114.2	108.2	122.5	124.7	116.0	110.6
2006	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Q3	6.9	5.9	127.5	121.7	137.9	127.3	127.5	116.2	109.4	126.3	127.3	119.1	115.7
Q4	5.6	5.4	127.9	123.4	134.4	127.5	128.3	117.7	109.2	132.1	128.0	121.8	110.8
2006 Q1	10.6	8.3	129.7	124.8	135.7	129.9	130.1	116.6	109.8	121.4	128.7	119.3	108.5
Q2	5.2	3.5	132.0	127.2	136.3	130.2	133.0	119.0	111.7	122.6	130.8	124.0	104.5
Q3	4.9	4.0	134.5	130.3	138.5	132.7	135.3	122.1	116.0	121.6	130.7	125.9	114.4
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 July	4.2	4.8	130.0	126.2	130.8	128.8	130.6	120.3	113.2	119.3	129.1	124.5	108.2
Aug.	4.8	4.0	133.7	128.7	134.3	134.7	135.5	123.2	119.7	124.0	131.3	127.1	122.4
Sep.	5.8	3.4	139.9	136.0	150.2	134.5	139.9	122.9	115.0	121.5	131.6	126.0	112.6
Oct.	13.1	10.9	138.6	133.3	142.4	134.4	138.9	124.1	118.1	123.2	133.7	128.5	117.7
Nov.	9.4	3.9	139.3	134.5	144.0	135.4	140.4	122.8	117.7	119.0	135.1	125.8	.
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	-0.2	2.4	96.7	96.3	94.2	99.6	96.2	97.1	98.1	93.0	97.8	96.1	99.5
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.4	92.4	100.3	98.1	136.8
2006	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Q3	3.0	9.2	100.1	101.0	95.8	102.5	98.8	107.2	114.4	93.6	101.1	98.7	149.8
Q4	4.0	9.8	101.1	102.2	96.1	103.4	99.3	109.4	117.5	93.5	103.1	99.7	157.4
2006 Q1	4.8	13.0	102.5	103.7	97.1	104.5	100.3	112.6	121.8	94.8	104.2	101.3	167.8
Q2	4.0	10.4	102.5	103.7	96.8	104.9	100.2	112.9	123.8	92.7	103.2	101.0	175.8
Q3	2.8	6.0	102.9	104.7	96.6	104.7	100.7	113.5	124.3	91.8	104.7	102.0	170.7
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 July	2.9	7.4	102.6	104.1	96.5	104.9	100.3	114.1	125.4	91.4	104.6	101.6	176.0
Aug.	3.1	6.4	103.1	105.3	96.8	104.6	100.8	114.1	124.9	92.3	104.8	102.1	173.1
Sep.	2.4	4.1	102.9	104.7	96.5	104.6	101.0	112.4	122.6	91.6	104.5	102.4	162.9
Oct.	2.5	2.3	103.3	105.2	97.0	105.0	101.6	111.2	120.7	91.6	104.5	102.2	150.1
Nov.	2.7	1.9	103.6	105.8	97.4	104.6	101.8	110.8	120.0	93.1	103.9	102.6	.
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations based on Eurostat data (volume indices and seasonal adjustment of unit value indices).

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2003	1,059.3	24.9	38.7	194.8	117.6	29.2	63.3	24.9	166.3	35.2	31.2	135.4	59.5	37.7	100.5
2004	1,147.6	25.6	41.8	203.9	128.1	35.3	66.1	31.8	173.7	40.2	33.2	149.7	63.8	40.6	114.0
2005	1,241.3	28.9	45.0	202.9	144.7	43.1	70.6	34.6	185.1	43.4	34.1	165.9	72.9	47.0	123.2
2006	1,384.0	.	.	.	.	54.9	76.5	38.5	199.0	53.6	34.4	183.3	76.8	54.0	.
2005 Q3	319.9	7.4	11.4	51.2	36.7	11.2	17.9	9.1	47.3	11.4	8.5	44.0	19.4	12.2	32.2
Q4	324.2	7.6	11.4	51.7	39.2	11.4	18.0	9.5	48.7	11.7	8.6	42.4	19.2	12.3	32.6
2006 Q1	333.1	7.5	11.6	52.7	40.7	12.2	18.0	9.7	50.3	12.5	8.9	43.9	19.1	13.4	32.8
Q2	339.2	7.7	12.1	53.8	42.9	13.0	18.3	9.9	49.4	12.8	8.4	45.1	19.2	13.3	33.2
Q3	346.9	7.8	12.8	54.6	45.0	14.2	19.3	9.5	49.0	13.5	8.5	45.9	19.1	13.5	34.2
Q4	364.9	.	.	.	.	15.6	20.9	9.5	50.3	14.7	8.6	48.4	19.4	13.8	.
2006 July	111.5	2.6	4.2	17.6	14.6	4.5	6.4	3.0	16.1	4.3	2.8	14.9	6.2	4.3	10.0
Aug.	115.2	2.6	4.2	18.9	14.9	4.6	6.5	3.2	16.4	4.5	2.8	14.8	6.3	4.5	10.9
Sep.	120.3	2.6	4.3	18.1	15.5	5.1	6.5	3.3	16.4	4.8	2.9	16.2	6.5	4.7	13.3
Oct.	119.6	2.6	4.4	18.1	15.4	5.2	7.1	3.1	16.4	4.9	2.9	15.8	6.2	4.7	12.7
Nov.	120.6	.	.	.	.	5.2	6.8	3.2	16.9	5.0	2.9	16.0	6.5	4.6	.
Dec.	124.6	.	.	.	.	5.1	7.0	3.1	17.0	4.9	2.8	16.5	6.7	4.5	.
	% share of total exports														
2005	100.0	2.3	3.6	16.4	11.7	3.5	5.7	2.8	14.9	3.5	2.7	13.4	5.9	3.8	9.9
	Imports (c.i.f.)														
2003	990.2	23.7	36.9	138.9	102.1	47.4	50.6	19.3	110.3	74.5	52.1	141.8	68.9	39.7	83.9
2004	1,075.6	25.3	39.6	144.0	107.2	56.4	52.9	22.8	113.8	92.0	53.8	161.1	72.7	45.1	88.9
2005	1,224.9	26.3	42.1	152.4	118.1	75.9	57.9	24.9	120.1	118.0	53.0	190.0	96.0	53.5	96.5
2006	1,393.7	.	.	.	.	94.9	62.1	28.6	127.3	143.4	55.9	212.0	109.5	65.8	.
2005 Q3	319.2	6.6	10.7	39.4	30.1	19.9	14.8	6.1	30.9	31.5	13.6	50.9	26.9	14.0	23.8
Q4	329.9	6.7	11.1	39.7	30.9	20.5	15.3	6.7	31.0	32.4	13.9	53.3	26.4	15.0	27.1
2006 Q1	336.3	6.7	11.3	40.8	32.2	23.8	15.0	6.7	31.8	33.4	14.0	51.2	26.9	15.6	26.8
Q2	344.2	6.7	11.4	43.1	34.2	24.9	15.4	7.6	31.8	34.7	14.0	53.2	26.9	15.9	24.5
Q3	355.2	6.9	12.2	41.6	36.5	24.1	15.9	7.2	31.9	35.8	14.1	55.2	28.0	16.6	29.2
Q4	357.9	.	.	.	.	22.2	15.7	7.2	31.8	39.4	13.9	52.3	27.7	17.7	.
2006 July	117.2	2.5	4.1	14.0	11.9	7.7	5.3	2.3	10.7	11.7	4.7	18.3	8.9	5.6	9.6
Aug.	120.0	2.2	4.0	14.1	12.0	8.8	5.3	2.4	10.7	11.8	4.8	18.7	10.5	5.6	9.1
Sep.	118.0	2.3	4.1	13.4	12.6	7.7	5.3	2.4	10.5	12.3	4.6	18.3	8.6	5.5	10.6
Oct.	117.8	2.2	4.1	13.4	12.5	7.3	5.1	2.3	10.6	12.7	4.7	18.0	9.3	5.7	9.8
Nov.	116.2	.	.	.	.	7.3	5.2	2.4	10.5	13.2	4.5	17.3	9.2	5.9	.
Dec.	123.9	.	.	.	.	7.5	5.4	2.5	10.7	13.6	4.7	17.0	9.3	6.1	.
	% share of total imports														
2005	100.0	2.2	3.4	12.5	9.7	6.2	4.7	2.0	9.8	9.6	4.3	15.5	7.8	4.4	7.9
	Balance														
2003	69.1	1.2	1.7	56.0	15.5	-18.2	12.7	5.5	56.0	-39.2	-20.9	-6.4	-9.4	-2.0	16.6
2004	72.0	0.3	2.2	59.9	20.9	-21.1	13.1	8.9	59.9	-51.8	-20.6	-11.4	-8.9	-4.5	25.1
2005	16.4	2.6	2.8	50.5	26.6	-32.8	12.7	9.7	64.9	-74.6	-18.9	-24.1	-23.1	-6.5	26.7
2006	-9.7	.	.	.	.	-40.1	14.4	9.9	71.7	-89.8	-21.6	-28.7	-32.7	-11.8	.
2005 Q3	0.7	0.8	0.7	11.8	6.6	-8.7	3.1	2.9	16.4	-20.1	-5.1	-6.9	-7.5	-1.9	8.5
Q4	-5.7	0.9	0.4	12.0	8.3	-9.1	2.6	2.7	17.7	-20.6	-5.3	-10.9	-7.3	-2.7	5.5
2006 Q1	-3.2	0.8	0.3	11.9	8.5	-11.6	2.9	3.0	18.5	-21.0	-5.1	-7.3	-7.8	-2.3	6.0
Q2	-5.1	1.1	0.7	10.7	8.7	-11.9	2.9	2.3	17.7	-21.9	-5.6	-8.1	-7.7	-2.6	8.7
Q3	-8.3	0.8	0.6	13.0	8.6	-9.9	3.4	2.3	17.1	-22.2	-5.5	-9.4	-9.0	-3.1	5.0
Q4	6.9	.	.	.	.	-6.6	5.2	2.3	18.5	-24.7	-5.3	-3.9	-8.3	-3.9	.
2006 July	-5.7	0.1	0.2	3.6	2.7	-3.2	1.1	0.7	5.4	-7.5	-1.9	-3.4	-2.7	-1.3	0.4
Aug.	-4.9	0.4	0.3	4.8	2.9	-4.1	1.1	0.8	5.7	-7.3	-2.0	-3.9	-4.2	-1.0	1.9
Sep.	2.3	0.3	0.2	4.6	2.9	-2.6	1.2	0.9	5.9	-7.5	-1.7	-2.1	-2.0	-0.8	2.7
Oct.	1.8	0.5	0.3	4.7	2.9	-2.1	2.0	0.8	5.8	-7.8	-1.8	-2.2	-3.0	-1.0	2.8
Nov.	4.4	.	.	.	.	-2.1	1.6	0.8	6.4	-8.2	-1.6	-1.2	-2.7	-1.3	.
Dec.	0.7	.	.	.	.	-2.4	1.6	0.7	6.3	-8.7	-1.9	-0.4	-2.6	-1.6	.

Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

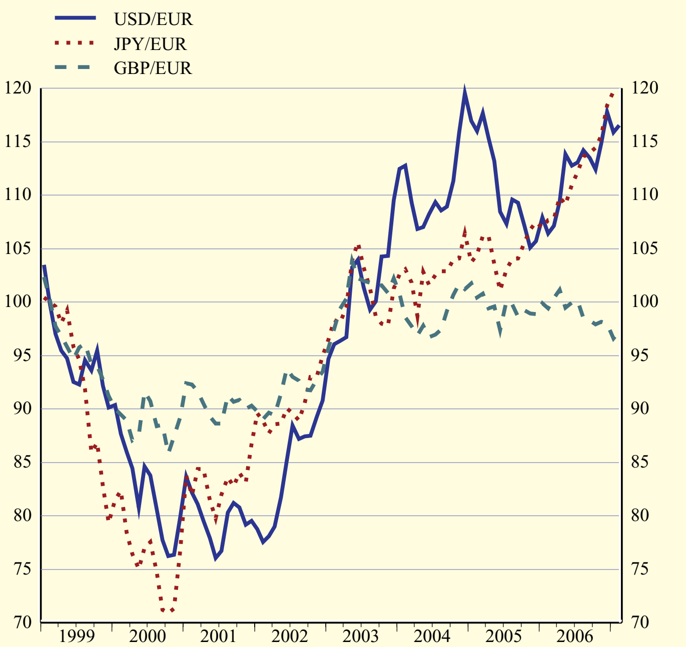
EXCHANGE RATES

8.1 Effective exchange rates [1)]
(period averages; index 1999 Q1=100)

	EER-24						EER-44	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2004	104.4	105.1	104.2	103.0	100.0	101.8	111.2	105.6
2005	103.3	104.1	102.5	100.8	97.6	99.4	109.7	103.7
2006	103.6	104.4	102.9	.	.	.	110.0	103.4
2005 Q4	101.4	102.2	100.1	99.0	94.9	96.9	107.3	101.2
2006 Q1	101.7	102.5	101.0	99.0	94.3	96.8	107.4	101.2
Q2	103.8	104.6	103.0	100.8	95.4	98.4	110.1	103.6
Q3	104.5	105.3	103.7	101.4	95.8	98.5	111.2	104.5
Q4	104.6	105.3	104.1	.	.	.	111.3	104.3
2006 Feb.	101.2	102.0	100.6	-	-	-	106.8	100.6
Mar.	102.0	102.9	101.4	-	-	-	107.6	101.4
Apr.	103.1	104.0	102.5	-	-	-	108.8	102.5
May	104.0	104.8	103.3	-	-	-	110.5	104.0
June	104.2	104.9	103.3	-	-	-	111.1	104.4
July	104.6	105.4	103.8	-	-	-	111.3	104.7
Aug.	104.6	105.4	103.8	-	-	-	111.3	104.6
Sep.	104.4	105.1	103.4	-	-	-	111.1	104.3
Oct.	103.9	104.7	103.5	-	-	-	110.4	103.6
Nov.	104.5	105.2	103.9	-	-	-	111.1	104.2
Dec.	105.6	106.0	104.9	-	-	-	112.3	105.0
2007 Jan.	104.9	105.5	104.3	-	-	-	111.5	104.2
Feb.	105.4	106.0	104.8	-	-	-	111.9	104.6
	% change versus previous month							
2007 Feb.	0.5	0.5	0.5	-	-	-	0.4	0.3
	% change versus previous year							
2007 Feb.	4.2	3.9	4.2	-	-	-	4.8	4.0

C35 Effective exchange rates
(monthly averages; index 1999 Q1=100)

C36 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)



Source: ECB.
1) For the definition of the trading partner groups and other information, please refer to the General notes.

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2006 Q2	7.4581	9.2979	0.68778	1.2582	143.81	1.5631	1,194.34	9.7618	1.9989	1.4108	7.8314	1.6838
Q3	7.4604	9.2304	0.67977	1.2743	148.09	1.5768	1,217.10	9.9109	2.0125	1.4283	8.0604	1.6831
Q4	7.4557	9.1350	0.67314	1.2887	151.72	1.5928	1,209.29	10.0269	2.0091	1.4669	8.2712	1.6740
2006 Aug.	7.4609	9.2098	0.67669	1.2811	148.53	1.5775	1,231.42	9.9627	2.0185	1.4338	7.9920	1.6788
Sep.	7.4601	9.2665	0.67511	1.2727	148.99	1.5841	1,212.64	9.9051	2.0101	1.4203	8.2572	1.6839
Oct.	7.4555	9.2533	0.67254	1.2611	149.65	1.5898	1,202.31	9.8189	1.9905	1.4235	8.3960	1.6733
Nov.	7.4564	9.1008	0.67397	1.2881	151.11	1.5922	1,205.01	10.0246	2.0049	1.4635	8.2446	1.6684
Dec.	7.4549	9.0377	0.67286	1.3213	154.82	1.5969	1,222.34	10.2704	2.0354	1.5212	8.1575	1.6814
2007 Jan.	7.4539	9.0795	0.66341	1.2999	156.56	1.6155	1,217.83	10.1390	1.9983	1.5285	8.2780	1.6602
Feb.	7.4541	9.1896	0.66800	1.3074	157.60	1.6212	1,225.25	10.2130	2.0049	1.5309	8.0876	1.6708
	% change versus previous month											
2007 Feb.	0.0	1.2	0.7	0.6	0.7	0.4	0.6	0.7	0.3	0.2	-2.3	0.6
	% change versus previous year											
2007 Feb.	-0.1	-1.6	-2.2	9.5	12.0	4.1	5.8	10.2	3.1	11.6	0.4	3.8

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovak koruna	Bulgarian lev	New Romanian leu [1]
	13	14	15	16	17	18	19	20	21	22	23
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	40.022	1.9533	40,510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	38.599	1.9558	3.6209
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	37.234	1.9558	3.5258
2006 Q2	28.378	15.6466	0.57538	0.6960	3.4528	266.83	0.4293	3.9482	37.690	1.9558	3.5172
Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	37.842	1.9558	3.5415
Q4	28.044	15.6466	0.57748	0.6969	3.4528	260.25	0.4293	3.8478	35.929	1.9558	3.4791
2006 Aug.	28.194	15.6466	0.57585	0.6960	3.4528	274.41	0.4293	3.9046	37.669	1.9558	3.5271
Sep.	28.383	15.6466	0.57650	0.6961	3.4528	274.42	0.4293	3.9649	37.497	1.9558	3.5274
Oct.	28.290	15.6466	0.57672	0.6961	3.4528	267.10	0.4293	3.9014	36.804	1.9558	3.5191
Nov.	28.029	15.6466	0.57770	0.6970	3.4528	258.84	0.4293	3.8248	35.884	1.9558	3.4955
Dec.	27.778	15.6466	0.57811	0.6976	3.4528	253.97	0.4293	3.8125	34.967	1.9558	3.4137
2007 Jan.	27.840	15.6466	0.57842	0.6975	3.4528	253.88	0.4293	3.8795	34.751	1.9558	3.3922
Feb.	28.233	15.6466	0.57918	0.7003	3.4528	253.30	0.4293	3.8943	34.490	1.9558	3.3823
	% change versus previous month										
2007 Feb.	1.4	0.0	0.1	0.4	0.0	-0.2	0.0	0.4	-0.8	0.0	-0.3
	% change versus previous year										
2007 Feb.	-0.6	0.0	0.8	0.6	0.0	0.7	0.0	2.6	-7.8	0.0	-4.4

	Chinese yuan renminbi [2]	Croatian kuna [2]	Icelandic krona	Indonesian rupiah [2]	Malaysian ringgit [2]	New Zealand dollar	Philippine peso [2]	Russian rouble [2]	South African rand	Thai baht [2]	New Turkish lira [3]
	24	25	26	27	28	29	30	31	32	33	34
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771
2006	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1.8090
2006 Q2	10.0815	7.2786	92.72	11,479.67	4.5853	2.0172	65.819	34.1890	8.1745	47.981	1.8473
Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1.9118
Q4	10.1339	7.3657	88.94	11,771.01	4.6734	1.9143	64.108	34.2713	9.4458	47.109	1.8781
2006 Aug.	10.2141	7.2893	90.08	11,649.96	4.7078	2.0220	65.712	34.2755	8.9034	48.192	1.8802
Sep.	10.0971	7.3945	89.31	11,646.15	4.6724	1.9453	64.029	34.0549	9.4553	47.640	1.8870
Oct.	9.9651	7.3913	86.29	11,569.46	4.6390	1.9066	63.022	33.8849	9.6481	47.068	1.8654
Nov.	10.1286	7.3482	89.29	11,772.03	4.6927	1.9263	64.186	34.2602	9.3616	47.049	1.8786
Dec.	10.3356	7.3564	91.59	12,003.18	4.6909	1.9094	65.274	34.7316	9.3092	47.224	1.8920
2007 Jan.	10.1238	7.3711	91.02	11,796.04	4.5596	1.8699	63.552	34.4578	9.3440	45.850	1.8536
Feb.	10.1326	7.3612	88.00	11,855.46	4.5706	1.8859	63.167	34.4060	9.3797	44.434	1.8260
	% change versus previous month										
2007 Feb.	0.1	-0.1	-3.3	0.5	0.2	0.9	-0.6	-0.2	0.4	-3.1	-1.5
	% change versus previous year										
2007 Feb.	5.4	0.6	14.9	7.3	2.7	6.3	2.3	2.2	28.4	-5.5	15.3

Source: ECB.

1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.

2) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.

3) Data prior to January 2005 refer to the Turkish lira; 1 new Turkish lira is equivalent to 1,000,000 old Turkish liras.

DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
HICP														
2005	6.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	7.4	2.1	1.9	4.4	2.2	6.6	3.8	4.0	2.6	1.3	6.6	4.3	1.5	2.3
2006 Q2	8.6	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	7.2	4.6	1.9	2.2
Q3	6.7	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	5.9	4.8	1.5	2.4
Q4	5.7	1.1	1.6	4.5	1.5	6.2	4.2	6.4	1.1	1.3	4.8	3.5	1.4	2.7
2006 Sep.	5.4	2.2	1.5	3.8	2.2	5.9	3.3	5.9	3.1	1.4	5.5	4.5	1.2	2.4
Oct.	5.2	0.8	1.4	3.8	1.7	5.6	3.7	6.3	1.7	1.1	4.8	3.1	1.2	2.4
Nov.	5.9	1.0	1.8	4.7	1.3	6.3	4.4	6.4	0.9	1.3	4.7	3.7	1.5	2.7
Dec.	6.1	1.5	1.7	5.1	1.5	6.8	4.5	6.6	0.8	1.4	4.9	3.7	1.4	3.0
2007 Jan.	6.9	1.4	1.8	5.0	1.4	7.1	4.0	8.4	1.2	1.7	4.1	2.2	1.6	2.7
General government deficit (-)/surplus (+) as a % of GDP														
2003	0.3	-6.6	1.1	2.0	-6.3	-1.2	-1.3	-7.2	-10.0	-4.7	-1.5	-3.7	0.1	-3.3
2004	2.7	-2.9	2.7	2.3	-4.1	-0.9	-1.5	-6.5	-5.0	-3.9	-1.5	-3.0	1.8	-3.2
2005	2.4	-3.6	4.9	2.3	-2.3	0.1	-0.5	-7.8	-3.2	-2.5	-1.5	-3.1	3.0	-3.3
General government gross debt as a % of GDP														
2003	46.0	30.1	44.4	5.7	69.1	14.4	21.2	58.0	70.2	43.9	21.5	42.7	51.8	38.9
2004	38.4	30.7	42.6	5.2	70.3	14.5	19.4	59.4	74.9	41.8	18.8	41.6	50.5	40.4
2005	29.8	30.4	35.9	4.5	69.2	12.1	18.7	61.7	74.2	42.0	15.9	34.5	50.4	42.4
Long-term government bond yield as a % per annum, period average														
2006 Aug.	4.66	3.85	3.93	-	4.28	4.36	4.28	7.49	4.34	5.62	7.41	5.13	3.84	4.49
Sep.	4.40	3.90	3.79	-	4.28	4.38	4.28	7.58	4.34	5.48	7.49	4.79	3.70	4.44
Oct.	4.26	3.89	3.88	-	4.26	4.55	4.28	7.47	4.34	5.40	7.56	4.42	3.73	4.51
Nov.	4.38	3.78	3.78	-	4.26	4.95	4.28	7.01	4.34	5.20	7.56	4.25	3.62	4.45
Dec.	4.18	3.68	3.78	-	4.26	4.90	4.28	6.81	4.33	5.14	7.42	4.15	3.65	4.54
2007 Jan.	4.27	3.84	4.00	-	4.36	4.92	4.28	6.96	4.34	5.17	7.39	4.25	3.90	4.94
3-month interest rate as a % per annum, period average														
2006 Aug.	-	2.36	3.33	3.32	3.21	5.07	3.27	7.11	3.69	4.19	8.72	4.93	2.70	4.94
Sep.	3.40	2.49	3.45	3.40	3.39	4.84	3.38	7.88	3.65	4.21	8.66	4.95	2.83	5.03
Oct.	3.50	2.65	3.61	3.57	3.62	4.97	3.53	8.20	3.62	4.21	8.62	5.02	2.96	5.13
Nov.	-	2.64	3.72	3.66	3.80	4.36	3.61	-	3.90	4.20	8.71	4.94	3.08	5.23
Dec.	-	2.56	3.84	3.81	3.76	4.21	3.72	8.20	3.90	4.20	8.19	4.82	3.21	5.29
2007 Jan.	-	2.58	3.92	3.90	3.82	3.82	3.79	8.15	3.85	4.20	6.69	4.50	3.35	5.49
Real GDP														
2005	5.5	6.1	3.1	10.5	3.9	10.2	7.6	4.2	2.2	3.5	4.1	6.0	2.9	1.9
2006	.	.	3.2	11.5	3.8	.	7.5	.	.	5.8	7.6	8.3	.	2.8
2006 Q2	6.6	6.0	3.0	11.8	4.2	11.1	8.3	4.0	2.8	5.6	7.7	6.7	5.0	2.7
Q3	6.7	5.8	3.0	11.0	3.8	11.8	6.9	3.9	2.7	5.9	8.2	9.8	4.7	2.8
Q4	.	.	3.1	.	3.6	.	7.0	3.4	.	6.6	7.6	9.6	.	2.9
Current and capital accounts balance as a % of GDP														
2005	-11.3	-1.9	3.9	-9.5	-5.1	-11.4	-5.9	-5.9	-6.4	-1.4	-7.9	-8.6	6.3	-2.2
2006	-16.2	-4.5	2.4	-11.5	-5.1	-21.3	-10.7	-5.6	.	-1.4	-11.4	-8.0	.	.
2006 Q2	-12.2	-6.5	2.7	-10.6	-4.0	-16.5	-9.0	-6.2	-7.4	-1.7	-13.7	-9.5	6.0	-3.4
Q3	-4.3	-5.7	4.5	-10.9	14.2	-23.3	-11.7	-4.1	2.9	-0.6	-9.9	-10.1	7.2	-2.9
Q4	.	.	1.4	.	-19.7	.	-10.9	.	.	-1.7	-11.1	-5.7	.	.
Unit labour costs														
2005	.	-0.5	0.9	2.7	1.3	5.8	3.7	.	0.4	-0.7	.	0.5	0.6	.
2006	.	.	2.0	.	1.9	.	.	.	.	.	.	1.7	-0.6	.
2006 Q1	-	0.6	1.4	3.7	-	-	3.6	-	0.2	-	-	1.9	-2.2	.
Q2	-	.	1.8	5.1	-	-	3.5	-	-0.4	-	-	3.7	-0.3	.
Q3	-	.	2.4	5.6	-	-	11.1	-	0.2	-	-	0.5	0.5	.
Standardised unemployment rate as a % of labour force (s.a.)														
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.2	7.2	7.3	17.7	7.1	16.2	7.5	4.8
2006	8.9	7.2	3.8	5.5	4.9	6.9	5.9	7.5	7.4	14.0	7.4	13.3	7.1	.
2006 Q2	9.1	7.3	4.2	6.0	4.9	7.1	5.9	7.3	7.5	14.2	7.3	13.7	.	5.4
Q3	9.3	7.1	3.6	5.7	4.8	6.7	6.1	7.6	7.3	13.5	7.6	13.1	.	5.4
Q4	8.1	6.8	3.3	4.5	4.7	6.2	5.8	7.7	7.0	13.0	7.8	12.2	.	.
2006 Oct.	8.1	6.9	3.3	4.8	4.8	6.3	5.9	7.6	7.1	13.3	7.8	12.5	.	5.4
Nov.	8.1	6.8	3.3	4.5	4.7	6.2	5.7	7.7	7.1	13.0	7.8	12.2	.	5.4
Dec.	8.2	6.7	3.2	4.3	4.7	6.1	5.8	7.7	6.9	12.8	7.8	11.8	.	.
2007 Jan.	8.5	6.6	.	4.2	4.7	6.1	6.3	7.8	6.8	12.6	7.5	11.0	.	.
Feb.	.	.	.	.	4.7	.	.	7.9	.	.	.	.	.	.

Sources: European Commission (Economic and Financial Affairs DG and Eurostat), national data, Reuters and ECB calculations.

9.2 In the United States and Japan

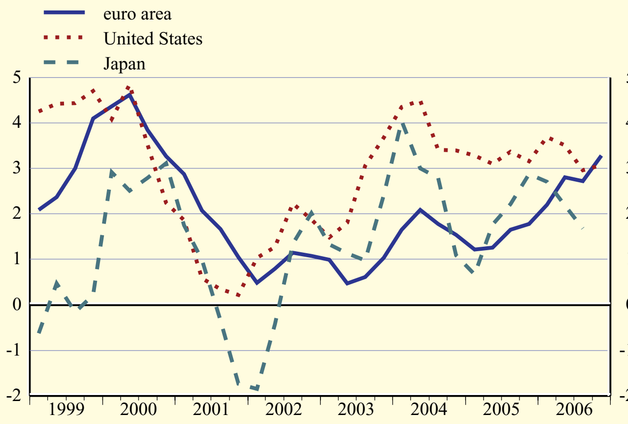
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2003	2.3	0.8	2.5	1.3	6.0	7.0	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	3.0	5.5	4.7	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	-0.1	3.2	4.0	5.1	4.4	3.56	4.28	1.2441	-3.7	49.2
2006	3.2	-0.2	3.3	5.0	4.6	4.7	5.19	4.79	1.2556	.	.
2005 Q4	3.7	-1.2	3.1	4.6	5.0	4.1	4.34	4.48	1.1884	-3.4	49.2
2006 Q1	3.6	1.9	3.7	4.9	4.7	4.6	4.76	4.57	1.2023	-2.3	49.8
Q2	4.0	0.1	3.5	5.5	4.6	4.7	5.21	5.07	1.2582	-2.3	48.6
Q3	3.3	-2.2	3.0	6.1	4.7	4.5	5.43	4.90	1.2743	-2.6	48.5
Q4	1.9	-0.4	3.1	3.6	4.5	5.0	5.37	4.63	1.2887	.	.
2006 Oct.	1.3	-	-	4.2	4.4	4.7	5.37	4.73	1.2611	-	-
Nov.	2.0	-	-	3.0	4.5	5.0	5.37	4.60	1.2881	-	-
Dec.	2.5	-	-	3.5	4.5	5.3	5.36	4.57	1.3213	-	-
2007 Jan.	2.1	-	-	1.9	4.6	5.5	5.36	4.76	1.2999	-	-
Feb.	.	-	-	.	.	.	5.36	4.73	1.3074	-	-
					Japan						
2003	-0.2	-3.8	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	1.9	1.1	4.4	1.8	0.06	1.39	136.85	.	.
2006	0.2	.	2.2	4.6	4.1	1.1	0.30	1.74	146.02	.	.
2005 Q4	-0.7	-2.1	2.8	3.0	4.5	1.9	0.06	1.53	139.41	.	.
2006 Q1	-0.1	-1.6	2.7	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.2	4.2	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	-2.9	1.5	5.4	4.1	0.5	0.41	1.80	148.09	.	.
Q4	0.3	.	2.3	5.7	4.1	0.7	0.49	1.70	151.72	.	.
2006 Oct.	0.4	-4.4	-	7.4	4.1	0.6	0.44	1.76	149.65	-	-
Nov.	0.3	-3.3	-	4.9	4.0	0.7	0.48	1.70	151.11	-	-
Dec.	0.3	.	-	4.9	4.1	0.7	0.56	1.64	154.82	-	-
2007 Jan.	0.0	.	-	4.4	4.0	1.0	0.56	1.71	156.56	-	-
Feb.	.	.	-	.	.	.	0.59	1.71	157.60	-	-

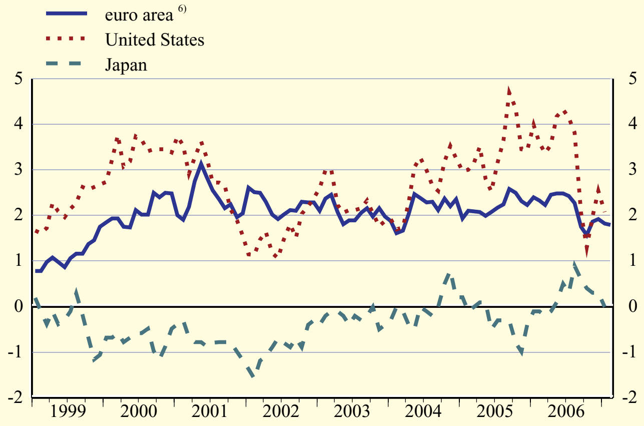
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

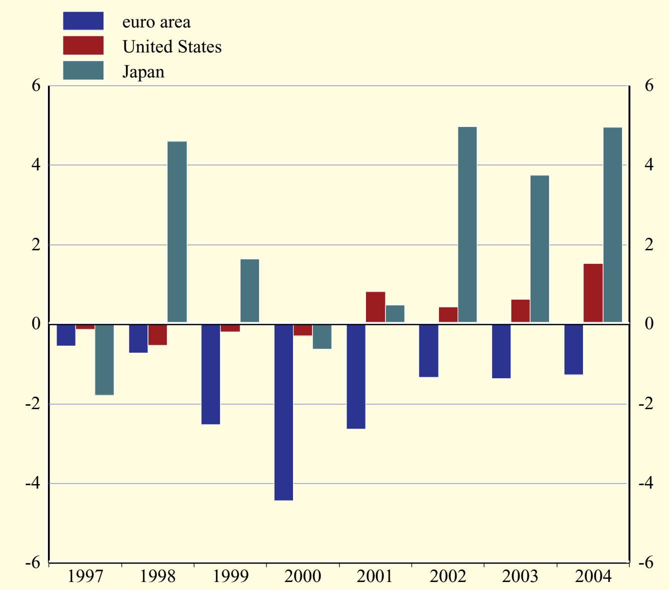
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M2 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).
6) Data refer to the changing composition of the euro area. For further information, see the General notes.

9.2 In the United States and Japan
(as a percentage of GDP)

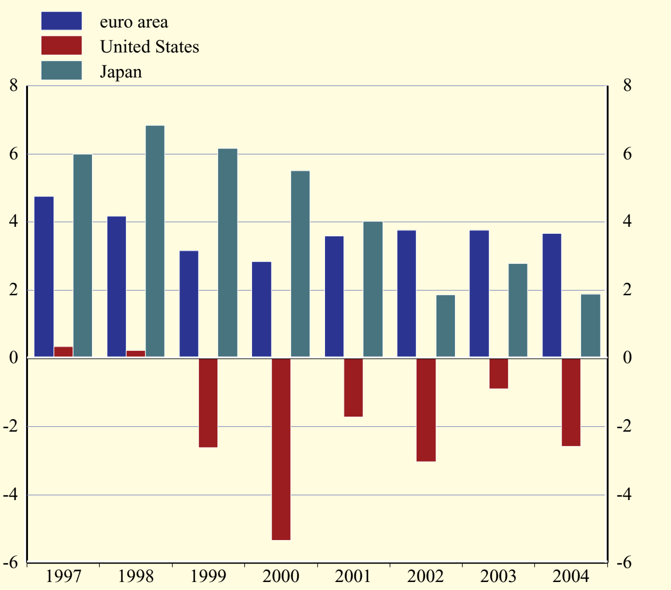
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expend-itures [2]	Net acquisition of financial assets	Gross saving [3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
	United States												
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	4.5	11.4	7.5
2003	13.3	18.5	-4.7	6.8	6.8	0.8	7.6	0.1	0.4	13.3	8.4	11.3	9.3
2004	13.2	19.3	-5.6	7.0	6.7	6.7	7.6	5.2	0.4	13.5	7.5	11.2	10.1
2005	12.9	19.7	-6.2	7.1	7.0	3.2	7.9	2.6	-0.7	13.8	4.7	9.6	9.7
2004 Q4	12.9	19.6	-6.1	7.2	6.8	7.5	6.7	6.4	0.8	13.6	7.7	11.3	11.8
2005 Q1	13.2	19.8	-6.3	7.3	6.9	3.4	7.4	3.6	0.2	13.6	5.6	10.0	8.4
Q2	12.7	19.5	-6.1	6.9	7.0	3.4	7.9	3.1	-0.4	14.0	4.3	9.4	10.4
Q3	13.2	19.5	-5.7	6.8	7.0	3.3	8.5	1.8	-1.2	13.9	5.4	10.0	10.3
Q4	12.7	20.2	-6.8	7.3	7.1	2.7	7.9	2.0	-1.2	13.6	3.4	9.1	9.7
2006 Q1	14.5	20.3	-6.3	7.5	7.2	3.1	8.4	1.9	-0.8	13.6	5.2	9.1	9.3
Q2	13.6	20.2	-6.4	7.6	7.3	3.2	8.1	2.4	-1.4	13.3	1.5	8.2	8.3
Q3	13.5	20.1	-6.6	7.7	7.4	3.8	8.3	2.6	-1.4	12.9	1.9	8.3	6.6
	Japan												
2002	25.2	23.2	2.8	12.9	13.2	-1.7	16.3	-7.5	-0.9	5.5	-0.2	7.8	-2.1
2003	25.4	22.9	3.1	13.2	13.2	2.4	16.9	-5.4	0.2	3.6	0.3	7.0	-0.7
2004	25.8	22.8	3.6	13.6	13.4	4.2	17.8	-0.5	1.0	4.8	3.1	6.8	-1.0
2005	26.4	23.3	3.5	14.4	14.2	4.4	17.1	-7.4	-5.0	4.4	2.9	6.4	0.8
2004 Q4	27.0	21.7	3.1	.	.	11.9	.	14.2	2.6	.	9.9	.	-0.6
2005 Q1	31.6	25.9	3.7	.	.	10.5	.	-3.5	-1.7	.	-12.3	.	3.0
Q2	22.3	24.2	3.2	.	.	-15.6	.	-14.0	2.3	.	9.1	.	-6.4
Q3	24.6	23.6	3.8	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	27.0	24.2	3.4	.	.	16.2	.	-17.3	-20.1	.	15.9	.	3.7
2006 Q1	31.9	23.8	4.2	.	.	12.2	.	-2.6	-2.4	.	-5.6	.	5.6
Q2	.	23.4	.	.	.	-19.7	.	-16.6	1.3	.	9.5	.	-9.1
Q3	.	24.3	.	.	.	12.1	.	6.3	0.2	.	-1.3	.	2.9

C39 Net lending of non-financial corporations
(as a percentage of GDP)



C40 Net lending of households [1]
(as a percentage of GDP)



Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.
1) Including non-profit institutions serving households.
2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.
3) Gross saving in the United States is increased by expenditures on consumer durable goods.

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

The average growth rate for the quarter ending in month t is calculated as:

$$\text{a)}\quad \left(\frac{0.5 I_t + \sum_{i=1}^{2} I_{t-i} + 0.5 I_{t-3}}{0.5 I_{t-12} + \sum_{i=1}^{2} I_{t-i-12} + 0.5 I_{t-15}} - 1 \right) \times 100$$

where I_t is the index of adjusted outstanding amounts as at month t (see also below). Likewise, for the year ending in month t, the average growth rate is calculated as:

$$\text{b)}\quad \left(\frac{0.5 I_t + \sum_{i=1}^{11} I_{t-i} + 0.5 I_{t-12}}{0.5 I_{t-12} + \sum_{i=1}^{11} I_{t-i-12} + 0.5 I_{t-24}} - 1 \right) \times 100$$

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

Monthly transactions are calculated from monthly differences in outstanding amounts adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

If L_t represents the outstanding amount at the end of month t, C_t^M the reclassification adjustment in month t, E_t^M the exchange rate adjustment and V_t^M the other revaluation adjustments, the transactions F_t^M in month t are defined as:

$$\text{c)}\quad F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$$

Similarly, the quarterly transactions F_t^Q for the quarter ending in month t are defined as:

$$\text{d)}\quad F_t^Q = (L_t - L_{t-3}) - C_t^Q - E_t^Q - V_t^Q$$

where L_{t-3} is the amount outstanding at the end of month t-3 (the end of the previous quarter) and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t.

For those quarterly series for which monthly observations are now available (see below), the quarterly transactions can be derived as the sum of the three monthly transactions in the quarter.

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates may be calculated from transactions or from the index of adjusted outstanding amounts. If F_t^M and L_t are defined as above, the index I_t of adjusted outstanding amounts in month t is defined as:

$$\text{e)}\quad I_t = I_{t-1} \times \left(1 + \frac{F_t^M}{L_{t-1}} \right)$$

The base of the index (of the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

The annual growth rate a_t for month t – i.e. the change in the 12 months ending in month t – may be calculated using either of the following two formulae:

$$\text{f)}\quad a_t = \left[\prod_{i=0}^{11} \left(1 + \frac{F_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$\text{g)}\quad a_t = \left(\frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in g) by dividing the index of December 2002 by the index of December 2001.

Growth rates for intra-annual periods may be derived by adapting formula g). For example, the month-on-month growth rate a_t^M may be calculated as:

$$\text{h)}\quad a_t^M = \left(\frac{I_t}{I_{t-1}} - 1 \right) \times 100$$

Finally, the three-month moving average (centred) for the annual growth rate of M3 is obtained as $(a_{t+1} + a_t + a_{t-1})/3$, where a_t is defined as in f) or g) above.

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

If F_t^Q and L_{t-3} are defined as above, the index I_t of adjusted outstanding amounts for the quarter ending in month t is defined as:

$$\text{i)}\quad I_t = I_{t-3} \times \left(1 + \frac{F_t^Q}{L_{t-3}} \right)$$

The annual growth rate in the four quarters ending in month t, i.e. a_t, may be calculated using formula g).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

The approach used relies on a multiplicative decomposition through X-12-ARIMA.[2] The seasonal adjustment may include a day-of-the-week adjustment, and for some series is carried out indirectly by means of a linear combination of components. In particular, this is the case for M3, derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.[3] The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

If T_t represents the transactions in quarter t and L_t represents the outstanding amount at the end of quarter t, then the growth rate for the quarter t is calculated as:

$$\text{j)}\quad \frac{\sum_{i=0}^{3} T_{t-i}}{L_{t-4}} \times 100$$

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.int), under the "Money, banking and financial markets" sub-section.

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", Journal of Business and Economic Statistics, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

3 It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of notional stocks in month t is defined as:

$$\text{k)}\quad I_t = I_{t-1} \times \left(1 + \frac{N_t}{L_{t-1}}\right)$$

As a base, the index is set equal to 100 on December 2001. The growth rate a_t for month t corresponding to the change in the 12 months ending in month t, may be calculated using either of the following two formulae:

$$\text{l)}\quad a_t = \left[\prod_{i=0}^{11}\left(1 + N^M_{t-i} \middle/ L_{t-1-i}\right) - 1\right] \times 100$$

$$\text{m)}\quad a_t = \left(I_t \middle/ I_{t-12} - 1\right) \times 100$$

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used rather than an “F”. The reason for this is to distinguish between the different ways of obtaining “net issues” for securities issues statistics and the equivalent “transactions” calculated used for the monetary aggregates.

The average growth rate for the quarter ending in month t is calculated as:

$$\text{n)}\quad \left(\frac{0.5 I_t + \sum_{i=1}^{2} I_{t-i} + 0.5 I_{t-3}}{0.5 I_{t-12} + \sum_{i=1}^{2} I_{t-i-12} + 0.5 I_{t-15}} - 1 \right) \times 100$$

where I_t is the index of notional stocks as at month t. Likewise, for the year ending in month t, the average growth rate is calculated as:

$$\text{o)}\quad \left(\frac{0.5 I_t + \sum_{i=1}^{11} I_{t-i} + 0.5 I_{t-12}}{0.5 I_{t-12} + \sum_{i=1}^{11} I_{t-i-12} + 0.5 I_{t-24}} - 1 \right) \times 100$$

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS[4]

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of the seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

Similar as depicted in formula l) and m), the growth rate a_t for month t corresponding to the change in the 6 months ending in month t, may be calculated using either of the following two formulae:

$$\text{p)}\quad a_t = \left[\prod_{i=0}^{5}\left(1 + N^M_{t-i} \middle/ L_{t-1-i}\right) - 1\right] \times 100$$

$$\text{q)}\quad a_t = \left(I_t \middle/ I_{t-6} - 1\right) \times 100$$

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website (www.ecb.int), under the “Money, banking and financial markets” sub-section.

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP[4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.int). This allows user-friendly access to data via the ECB Statistical Data Warehouse (http://sdw.ecb.int/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 7 March 2007.

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (i.e. the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series refer to the changing composition of the euro area. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from bases in 2000 and 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB's website at http://www.ecb.int/stats/services/downloads/html/index.en.html.

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data after 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia.

Given that the composition of the ECU does not coincide with the former currencies of the countries which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States which have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group "Other EU Member States" comprises Bulgaria, the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia, Sweden and United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term "up to (x) years" means "up to and including (x) years".

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/ liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers" (ECB, November 1999). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

In line with this Regulation, the balance sheet item "money market paper" has been merged with the item "debt securities" on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/ liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds,

1 OJ L 356, 30.12.1998, p. 7.
2 OJ L 250, 2.10.2003, p. 19.

real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity ("short-term" refers to an original maturity of up to one year; "long-term" refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[3]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[4]. Industrial producer prices reflect the ex-

3 OJ L 162, 5.6.1998, p. 1.
4 OJ L 86, 27.3.2001, p. 11.

factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[5] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[6]. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[7] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with

5 OJ L 69, 13.3.2003, p. 1.
6 OJ L 169, 8.7.2003, p. 37.
7 OJ L 172, 12.7.2000, p. 3.

the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002[8] on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[9], and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (November 2005), and in the following task force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), which can be downloaded from the ECB's website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between "loans" and "currency and deposits" is based on

8 OJ L 179, 9.7.2002, p. 1.
9 OJ L 354, 30.11.2004, p. 34.

the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest available four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest available end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-24 group of trading partners is composed of the 14 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-44 group includes, in addition to the EER-24, the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

1 DECEMBER 2005

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.

16 DECEMBER 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 can be found on pages 176 to 180 of the ECB's Annual report 1999, on pages 205 to 208 of the ECB's Annual report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.

marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

31 AUGUST 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50%, both with effect from 13 December 2006.

21 DECEMBER 2006

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2008.

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM

PAYMENT FLOWS IN TARGET

In the fourth quarter of 2006 TARGET processed a daily average of 350,202 payments, with a total daily average value of €2,190 billion. Both averages are the highest recorded since the start of TARGET in January 1999.

Compared with the previous quarter, this represented an increase of 12% in terms of volume and 8% in terms of value. When compared with the same period last year, an increase of 9% in terms of volume and 11% in terms of value is observed. At 89%, TARGET's overall market share in terms of value remained at the same high level. The market share in terms of volume reached 61%. The highest level of TARGET traffic during this quarter was recorded on 27 December, the day after the four-day Christmas holiday period. A total of 553,962 payments were processed on that day, the highest daily total ever.

INTRA-MEMBER STATE PAYMENTS

TARGET processed a daily average of 272,271 intra-Member State payments in the fourth quarter of 2006, with a total average value of €1,434 billion per business day. This represented an increase of 13% in volume and 8% in value as compared with the previous quarter. In comparison with the corresponding period in 2005, the volume and value of payments increased by 9%. Intra-Member State traffic accounted for 77.7% of the total volume and 65.5% of the total value of TARGET payments. The average value of an intra-Member State payment decreased by 0.2 million to €5.3 million. At the intra-Member State level, 64% of payments had a value below €50,000, while 10% had a value above €1 million. On average, there were 172 intra-Member State payments per day with a value above €1 billion. The highest level of intra-Member State traffic during this quarter was recorded on 27 December, when a total of 453,945 payments were processed.

INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 77,931 payments in the fourth quarter of 2006, with a total daily average value of €756 billion. Compared with the previous quarter, this represented an increase of 9% in terms of volume and 7% in terms of value. The number of interbank payments processed increased by 8% and the total value of such payments increased by 6% as compared with the previous quarter. For customer payments, an increase of 11% was observed in terms of volume and an increase of 16% was recorded in terms of value as compared with the previous quarter. The proportion of interbank payments in average daily inter-Member State traffic was 48% in terms of volume and 95% in terms of value. The average value of interbank payments decreased from €19.9 million to €19.6 million and that of customer payments increased from €885,365 to €940,520 as compared with the previous quarter. 64% of the inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 62 inter-Member State payments per day with a value above €1 billion. The highest level of inter-Member State traffic during this quarter was recorded, as in the previous two years, on 20 December, when a total of 107,481 payments were processed.

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the fourth quarter of 2006 TARGET achieved an overall availability of 99.81%, compared with 99.88% in the previous quarter. The number of incidents with an effect on TARGET's availability was 16, which is 1 more than in the previous quarter. Incidents considered in the calculation of TARGET's availability are those that prevent the processing of payments for 10 minutes or more. During the fourth quarter of 2006 there were 3 incidents that lasted more than 2 hours, including 1 that resulted in TARGET being delayed for half an

Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions

(number of payments)

	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
TARGET					
All TARGET payments					
Total volume	19,774,574	19,949,738	20,854,425	20,313,134	22,062,699
Daily average	320,888	306,721	336,362	313,247	350,202
Intra-Member State TARGET payments					
Total volume	15,944,755	15,303,728	16,019,310	15,686,100	17,153,073
Daily average	249,136	235,303	258,376	241,873	272,271
Inter-Member State TARGET payments					
Total volume	4,592,102	4,646,007	4,835,115	4,627,034	4,909,629
Daily average	71,752	71,418	77,986	71,374	77,931
Other systems					
EURO1 (EBA)					
Total volume	12,132,235	11,600,246	12,024,168	11,712,173	12,390,099
Daily average	189,665	178,399	194,328	180,593	196,668
Paris Net Settlement (PNS)					
Total volume	1,716,063	1,672,785	1,664,581	1,587,129	1,700,859
Daily average	26,847	25,738	24,880	24,512	26,998
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	135,414	133,846	172,023	144,456	136,200
Daily average	2,117	2,058	2,579	2,224	2,162

Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions

(EUR billions)

	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
TARGET					
All TARGET payments					
Total value	126,557	130,350	133,405	131,843	137,943
Daily average	1,977	2,005	2,152	2,031	2,190
Intra-Member State TARGET payments					
Total value	83,883	85,621	86,989	85,847	90,307
Daily average	1,311	1,317	1,403	1,322	1,434
Inter-Member State TARGET payments					
Total value	42,675	44,730	46,416	45,995	47,637
Daily average	668	688	749	709	756
Other systems					
EURO1 (EBA)					
Total value	10,820	11,142	11,936	12,399	12,766
Daily average	169	171	193	191	203
Paris Net Settlement (PNS)					
Total value	3,760	3,629	3,891	3,572	3,795
Daily average	59	56	62	55	60
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	109	122	112	111	114
Daily average	2	2	2	2	2

Table 3 TARGET availability for each national component and the ECB payment mechanism

National TARGET component	Availability Q4 2006
Belgium	99.58%
Denmark	98.58%
Germany	100.00%
Estonia	100.00%
Ireland	100.00%
Greece	100.00%
Spain	99.81%
France	100.00%
Italy	99.96%
Luxembourg	99.29%
Netherlands	100.00%
Austria	99.57%
Poland	100.00%
Portugal	100.00%
Finland	100.00%
Sweden	99.87%
United Kingdom	100.00%
ECB payment mechanism	99.94%
Overall TARGET availability	99.81%

hour. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism. In the quarter under review 97.52% of inter-Member State payments were processed in less than 5 minutes, 2.13% needed between 5 minutes and 15 minutes, and 0.25% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes for only 71 payments per day, which should be seen in the context of the 77,931 inter-Member State payments processed on average every day.

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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